CHAPTER I
INTRODUCTION

1.0 : Introduction :

India is emerging as a super power, slated to be among the world's five largest economies and viewed by international investors, business conglomerates and tertiary education providers as a land of opportunity. A database search since the opening up of the Indian economy in 1991 reveals a slowly increasing number of scholarly articles on Human Resource Management, with a steep rise from the year 2000 onward. While it is acknowledged that the field of HRM is a broad area, there is currently a dearth of research in specific HRM practices and policies in India to warrant a focus on only one area. Hence, the primary objective of this research is to present a scholarly work of “Impact of External Environment on Personnel Management - A Study with Special Reference to Human Resource Management in Multinational Companies in Bangalore” and to offer avenues for future research. The last few decades have seen an increase in the number of companies that have established subsidiaries in different locations world over, marked increases in Foreign Direct Investment said, Ashok Som. The reduction of trade barriers between countries and enhanced technology that enables information sharing steered the advent of a “new global economy”. This emerging economy set the stage for companies to expand their operations, globalizing their domestic enterprises to larger corporations operating across multiple countries. In just over 30 years, the presence of MNC has increased significantly from 7258 in 1969 to over 83000 MNC in 2013, as

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told by Craig. According to the “World Investment Report 2013”, issued by the United Nations Conference on Trade and Development, as noted by Babar, the FDI inflow into India was US$ 34,613 million in the year 2013. China is the only other country from the Asian region that tops the list of countries with largest FDI inflows for the year 2013. Hence, it is clear that India provides a green ground for the Multinational Corporations.

As the number of MNC has increased, their motivations for expanding to new location have also changed. Initially, companies sought international locations for the material resources they provided, ones that were unavailable to them in their domestic locales. Additionally, unlike the case of their national markets, other factors of production, such as labor, were available at lower costs in certain locations abroad. As a result, companies were able to gain competitive advantages over their domestic rivals, given the increased economies of scale and reduced costs that international markets afford them. This emerging global economy motivated companies to expand their operations in order to serve a wider range of markets. Companies now sought to invest in these international markets, establishing themselves there rather than simply utilizing resources for their domestic markets. To enhance and maintain their competitive advantage, the subsequent step that companies took was to expand their reach, aiming for higher efficiency and lower costs. In doing so, according to Harland et al., MNC managers began to think of their companies as a network of interconnected subsidiaries to be guided by a global mindset informing global

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strategy, rather than a parent company expanding their operations. In response to this, managers have to clearly define their role, focusing on overseeing core business activities in order to be efficient and match their clients' needs in increasingly competitive markets. During the last decade in particular, business process out sources have capitalized both on the competitive environment facing firms and the efficiency expected of managers in this environment. Efficiency, competitiveness and value are no longer solely defined by the cost-cutting mechanisms cross-border companies devise. While cutting costs are important, MNC also gain by “re-framing the boundaries of their world of space, time, scope, structure, geography and function”. In essence, local project management has been replaced by project management on a global scale. Despite these new developments, ‘culture’ and ‘cultural awareness’ have not always been factors that organizations have considered to be an integral part of cross border project management approaches. As management teams work towards superior financial goals, culture has often been ignored as a step necessary to achieve efficient coordination between managers and long-term success for the company at large. Parent companies have, in the past and continue to dictate the style of management that their managers in subsidiaries are expected to follow, in the same way they have dictated the financial strategy. This by, and large, disregards the subsidiaries ‘managers’ backgrounds and methods of interaction and coordination that are specific to their culture. As companies become more global in their organizational structure, they call for management methods to also take on new dimensions. This lack of attention to culture is problematic. Even though managers based in different subsidiaries, the world over work toward the same overreaching general goals, better products, sound customer relationships and higher profits, their approaches may be significantly different. Given the different types of
organizational structures emerging, global companies, their multiple subsidiaries, and their sub contractors, project management teams may fail to understand these significantly different approaches and the implicit reasons behind them. This lack of understanding lays ground for potential friction between management teams. In turn, this is said to have the potential to affect the overall efficiency of the team which impacts the project itself. On one level 'globalization' and increased connectivity has broadened the scope of project management. Organizations and their managers have the potential to create and work toward larger goals and higher profits. However, with such potential for growth, many companies are also faced with the challenge of recognizing the presence, values, and practices in other parts of the world. In this age of networked companies, as economic barriers to conduct business have significantly decreased, cultural challenges are likely to loom large. This raises questions about the best way to deal with negotiating cultural differences in cross border project management teams. This study addresses apart from, how cultural differences are negotiated in cross-border project management teams other factors that impact business from external environment perspective.

Given that businesses do not exist in vacuum, several factors are influencing the core conduct of the business as well as the objectives and strategies of the business. Known as the external environment, these are the social, legal, economic, political, technological and ethical factors. As such, the business has social environment and responsibilities. Personnel management, on the other hand, is the part of management that deals with people and their relationship at work. As the responsibility of those who manage people, personnel management concerns personnel relations and personnel policies. HRM is the most recent and most celebrated outgrowth of personnel management. There are several studies relating to external environment and
personnel management. However, these studies are either taken from broad settings such as, international firm or specific context like the public policy and technology.

Thus, this study seeks to determine the interplay between the external environment and personnel management in a holistic manner, by taking into consideration the elements of external environment factors. The global business environment is volatile and it is continuously influences the business organization at large on all resources. In tune with the changes at the global level the organization has to envisage many changes that that support to organize their resource effectively for better productivity and business growth. The personnel managers in the organization have to change their role in accordance with the change initiatives and act as a catalyst to lead the workforce. This study proposes to explore how the external influences change the context and dynamics of personnel management. The aim of the study is to descriptively determine how consumers, household and communities behave and their beliefs are like social. How legislation in society affects the business and the personnel managers called the legal. How the economy affects the business and the role of personnel managers in terms of taxation, government spending, general demand, interest rates, exchange rates and the global economic factors. How changes in government policy affects business politically. How the rapid pace of change in production processes and product innovation affects the business, technologically and what is regarded as morally right or wrong for a business to do ethically.

2.0: History and Evolution of Human Resources Management:

HRM, explains the antecedent theoretical developments on global business environment. Human Resources generated from the human relations movement,
which began in the early 20th century. Merkle, explored "scientific management" or referred by others as "Taylorism", striving to improve economic efficiency in manufacturing jobs. In his book, eventually key in on one of the principal inputs into the manufacturing process, labor sparking inquiry into workforce productivity. By the time enough theoretical evidence existed to make a business case for strategic workforce management, changes in the business landscape and in public policy had transformed the employer-employee relationship, and the discipline was formalized as "Industrial and Labour Relations". In 1913, one of the oldest known professional HR associations, the Chartered Institute of Personnel and Development was founded in England as the Welfare Workers Association, then changed its name a decade later to the Institute of Industrial Welfare Workers and again the next decade to Institute of Labour Management before settling upon its current name. Likewise in the United States, the world's first institution of higher education dedicated to workplace studies, the School of Industrial and Labour Relations was formed at Cornell University in 1945. During the latter half of the 20th century, union membership declined significantly, while workforce management continued to expand its influence within organizations. "Industrial and Labour Relations" began being used to refer specifically to issues concerning collective representation, and many companies began referring to the profession as "Personnel Administration". In 1948, what would later become the largest professional HR association, the Society for Human Resource Management was founded as the American Society for Personnel Administration. Nearing the 21st century advances in transportation and communications greatly facilitated workforce mobility and collaboration. Corporations began viewing employees as assets rather than as cogs in a machine. "HRM", consequently, became

the dominant term for the function, the ASPA even changing its name to SHRM in 1998. "Human Capital Management" is sometimes used anonymously with HR, although human capital typically refers to a more narrow view of human resources, i.e., the knowledge the individuals embody and can contribute to an organization. Likewise, other terms sometimes used to describe the field include, Organizational Management, Manpower Management, Talent Management, Personnel Management or simply People Management.

Human Resources has been depicted in several popular media, on the U.S. television series of "The Office", HR representative 'Toby Flenderson' is sometimes seen as a nag because constantly reminds co-workers of company policies and government regulations as commented by O'Brien. Long-running American comic strip Dilbert also frequently portrays sadistic HR policies through character, Catbert, the "evil director of human resources". Additionally, an HR manager is the title character in the 2010 Israeli film "The Human Resources Manager", while an HR intern is the protagonist in 1999 French film "Resources Humaines". Additionally, the BBC sitcom dinner ladies main character Philippa is an HR manager.

In the book, Human Resource Practice Business function, Dave Ulrich lists the functions of HR as, aligning HR and business strategy, re-engineering organization processes, listening and responding to employees, and managing transformation and change. In practice, HR is responsible for employee experience during the entire employment life cycle. It is first charged with attracting the right employees through employer branding. It then must select the right employees

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7 Catbert shows "Tougher side to Human Resources" Published in Personnel Today. August 30, 2007. p27.
through the recruitment process. HR then on boards new hires and oversees their training and development during their tenure with the organization. HR assesses talent through use of performance appraisals and then rewards them accordingly. In fulfillment of the latter, HR may sometimes administer payroll and employee benefits, although such activities are more and more being outsourced, with HR playing a more strategic role. Finally, HR is involved in employee terminations, including resignations, performance-related dismissals and redundancies. At the macro-level, HR is in charge of overseeing organizational leadership and culture. HR also ensures compliance with employment and labour laws, which differ by geography and often oversees health, safety, and security. In circumstances where employees desire and are legally authorized to hold a collective bargaining agreement, HR will typically also serve as the company's primary liaison with the employee's representatives, usually a labour union. Consequently, Human Resources, usually through industry representatives, engages in lobbying efforts with governmental agencies like in the United States, the United States Department of Labour and the National Labour Relations Board and in India, we have Ministry of Human Resources Development, Ministry of Labor and Employment and Ministry of Personnel, Public Grievances and Pensions apart from Department of Administrative Reforms and Public Grievances, to further its priorities. The discipline may also engage in mobility management, especially pertaining to expatriates and it is frequently involved in the merger and acquisition process. HR is generally viewed as a support function to the business, helping to minimize costs and reduce risk.
2.1: Careers in Human Resource Management:

There are half a million HR practitioners in the United States and thousands more worldwide as stated by Jonathan. The Chief HR Officer is the highest ranking HR executive in most companies and typically reports directly to the Chief Executive Officer and works with the Board of Directors on CEO succession. Wright says, within companies, HR positions generally fall into one of two categories: generalist and specialist. Generalists support employees directly with their questions, grievances, and projects. They may handle all aspects of human resources work, and thus require an extensive range of knowledge. The responsibilities of human resources generalists can vary widely, depending on their employer’s needs. Specialists, conversely, work in a specific HR function. Some practitioners will spend an entire career as either a generalist or a specialist while others will obtain experiences from each and choose a path later. Being an HR manager consistently ranks as one of the best jobs, with a number 4 ranking by CNN Money in 2006 and a 20th ranking by the same organization in 2009, due to its pay, personal satisfaction, job security, future growth, and society responsibility. Human resource consulting is a related career path where individuals may work as advisers to companies and complete tasks outsourced from companies. In 2012, there were 956 HR consultancies globally, constituting a US $18.4 billion market. The top five revenue generating firms were Mercer, Ernst and Young, Deloitte, Watson Wyatt, now part of Towers Watson, AON now merged with Hewitt and Price Waters and Coopers consulting. For 2010, HR consulting was ranked the 43rd best jobs in America by CNN Money, where as 2013 survey by Forbes and Cornell University,

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listed Human Resources, Training and labor relation specialist as one of the top five job globally. HR education also comes by way of professional associations like HR Patriot, which offer training and certification. The Society for Human Resource Management, which is based in the United States, is the largest professional association dedicated to HR, with over 250,000 members in 140 countries. It offers a suite of Professional in Human Resources certifications through its HR Certification Institute. The Chartered Institute of Personnel and Development, based in England, is the oldest professional HR association, with its predecessor institution being founded in 1918. Several associations also serve niches within HR. The Institute of Recruiters is a recruitment professional association, offering members education, support and training. World at Work focuses on "total rewards" like, compensation, benefits, work life, performance, recognition, and career development, offering several certification and training programs dealing with remuneration and work-life balance. Other niche associations include the American Society for Training and Development and Recognition Professionals International. In India we have Indian Chapters of SHRM and CIPD apart from Local bodies like National Institute of Personnel Management and National Human Resources Development Network and Knowledge Management Society.

2.2 : Definition of Human Resource Development :

Key Concept from a National and International Context. Numerous attempts to define HRD by academic researchers and practitioners are proving that this concept is confusing elusive and Haslinda Abdullah\(^{11}\) has clarified HRD as below. The purpose

is to analyze definitions of HRD on the basis of key concepts of evolving HRD, HRD from national and international context. Thus an effort is made to define HRD at three levels namely general or macro-level, national or micro-level and international or Global-level. Literature review will be undertaken to understand the meaning of HRD surrounding different dimensions that evolve from the complicated nature of HRD. The definition of HRD starts with differentiating HRD from Training and Development, before going on to discuss the general purpose and functions of HRD, the Intended beneficiaries of HRD, the framework of HRD from a company’s perspective, and attempt to define International HRM and International HRD. HRD and T&D may be similar in their concepts and purpose but HRD is different in that, it has roles that extend beyond training and development. Thus in short HRD is an extension of T&D, which includes a strategic dimension, whereas T&D is role in implementing HRD. Having classified the difference between T&D and HRD, this leads to a discussion of the key concepts underlying HRD. Intended beneficiary and purpose of HRD are analyzed both from external and internal factors affecting an organization. The external factors that influence HRD are economic and national development, social and community development as compared to internal factors which are Individual development, performance improvement, Organizational development, team and group development and finally improve HRD process. The national HRD are influenced by country’s economy, intended beneficiaries, intended audiences, Government and culture, national legislation controlling a scope of activities. International HRD is a broad term that concern processes and addresses the formulation and practice of HRD systems, practices and policies at the global, societal or national and organizational level. It concerns itself with how governments and
international organizations, develop and nurture international managers and how they develop global HRD systems, incorporate comparatives analyses of HRD approaches across nations and also how societies develop national HRD policies. Thus globalization and internationalization undoubtedly have a significant impact on the business and economic activity of any organization at both national and international level and impacting on the field of HRD.

3.0 : International Human Resources Managements role in MNC

In an era of increasing global competition, Gubbins and Garavan, argued that knowledge and skills are the key sources of competitive advantage. This places the HRD function in a situation of increased status and power. If HRD professionals adopt roles in a way that, it adds value and facilitates achievement of competitive advantage. MNC are ensconced in this dynamic, increasingly competitive and global environment even more so than domestic organizations. This provides opportunity for HRD professionals to demonstrate their ability to “Deliver Value” by re-conceptualization their role as “strategic” or Business partners. To engage in such roles, it is evident that social capital is of increasing importance to HRD Professionals and hence the imperatives of developing social networking competency. Hence, the study will analyses the implications on the MNC, for the role of HRD Professional and discusses, how this context influences and changes their roles. Drawing from these discussions, it explores the emergence and increasing importance of social networking competency for HRD professional efforts to successfully engage in new roles. Organization today operates in an external environment that is fast faced,

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uncertain, and continuously changing. These changes include global competition, growth in mergers, acquisitions and alliances, organizational restructuring and advances in technology and telecommunications. It is identified that particular changes of relevance to HRD professionals such as increased concern with labor market issues, including long-term unemployment, skills shortages and equal opportunity, organizational restructuring, including decentralization, delayering and the consequential increase in power base of senior operational managers, developments in information technology and investment in media and resources. The consequences of these changes with respect to each organization, but for those affected by this dynamic environment, there is a need for greater flexibility and new sources for competitive advantage. It is argued that knowledge, skills and core competencies are considered to be drivers of innovation and change and thus the key sources of competitive advantage. Concomitantly, this suggests that HRD becomes the linchpin around which organizations succeed and maintain competitive advantage. Thus, a comparison of characteristics of Personnel management and Human Resource Management are enumerated below:

**Table – 1.1: Comparison between Personnel and Human Resource Management**

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Personnel Management</th>
<th>Human Resources Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time &amp; Planning</td>
<td>Short term, Reactive,</td>
<td>Long term Proactive, Strategic,</td>
</tr>
<tr>
<td>Psychological Contract</td>
<td>Compliance</td>
<td>Commitment</td>
</tr>
<tr>
<td>Control System</td>
<td>External Control</td>
<td>Self Control</td>
</tr>
<tr>
<td>Employee Relations</td>
<td>Pluralist, Collective,</td>
<td>Unitary, Individual, High Trust</td>
</tr>
<tr>
<td>Preferred Structures</td>
<td>Bureaucratic</td>
<td>Organic, Devolved, flexible roles,</td>
</tr>
<tr>
<td>Systems Roles</td>
<td>Specialist /Professional</td>
<td>Integrated into Line Management,</td>
</tr>
<tr>
<td>Evaluation Criteria</td>
<td>Cost – Minimization</td>
<td>Maximum Utilization Human Asset</td>
</tr>
</tbody>
</table>

*Source: Guest.*
3.1. Impact of External Environment on Business Function—with focus on HRM:

An external environmental analysis is necessary, as effective strategies cannot be developed without first analyzing the environment, the MNC operates. The importance of the internal and external environment and their effect on the development and implementation of company planning is crucial and should be highly considered by any organization wishing to be profitable in the increasingly competitive international marketing arena. MNC that desire to prosper should develop a coherent international marketing plan having, as a starting point, the analysis of the environment. Based on that, the company objectives, strategies and tactics are drawn, aiming for organizational success and profitability. MNC Managers should have in mind that effective marketing strategies could not be developed without firstly analyzing the external and internal environment in which the company operates. The external environment for a company covers many aspects. It is suggested that the environment covers two main areas:

The macro-environment consists of forces such as social, cultural, legal, economic, political, ecological, ethical and technological. Within this are included factors such as demographics, green issues and larger societal and environmental forces. The micro-environment includes other environmental constraints, such as the structure of the market, the suppliers and customers, trends of the market, the public and competition. Equally important is the internal environment incorporating the examination of the company’s marketing mix like product, price, place mix, promotion and service like people, process management, physical evidence.

An analysis of the internal environment also covers other factors such as sales, profitability and market share and customer loyalty. The internal audit examines the company’s own resources including HRM and supplies suggestions as to the
company's strengths and weaknesses. Internal considerations are mainly controllable by the company and, therefore, companies should mostly avoid any problems from this area. It is evidently proven that product development and strategic formation is based upon the internal organizational capabilities.

3.1.1 : Social-Culture Impact on Business Function-HRM Perspective : We all belong to an entire collection of cultures, which includes, national cultures, subcultures based on regions and tribes, organizational or corporate cultures, industry cultures, professional or functional cultures, for that reason, culture can be defined as a shared system of values, beliefs, and attitudes. It affects our own actions and the way we distinguish the actions of others. Culture is not a product of a single individual's personality, nor does it usually change significantly from one generation to the next. To be successful within an organization and in all societies in which the global organization operates HR professionals must understand the complication of culture and the probable effect of cultural forces on the execution of global strategies and the development of local tactical HR practices. Being global requires an act of imagination, being able to see the view from inside another person's culture and using that consciousness to create solutions and bridges. There may be multiple types of culture in a global organization and the distances between these cultures can create conflicts that will impede with the organization's ability to execute its global strategic plan. In this write-up we will try to understand various types of culture, analyze the research work done in this domain and effect of various cultures within team. The main and most important key to effective cross-cultural communication is knowledge. It is extremely essential that people understand the probable problems of cross-cultural communication, and makes a huge cognizant effort to overcome these problems. Also, it is important to assume that one's efforts will not always be
successful, and adjust one’s behavior aptly. Understanding cultural differences is critical for the success of an organization in global arena because there are roles played by culture that influences talent management strategies and practices at workplace. In this study, we will be examining several important dimensions of various cultures for gaining insights and understanding the cultures of employees that staff organizations domestically and overseas. HR professionals that are managing and developing talents at global stage can apply the outcome to apply strategy to become successfully.

3.1.2: Impact of Technology on HRM:

Technological developments have made international travel and communication more accessible to consumers and led to a situation in which social habits and fashions change much quicker. Moreover, lifestyles and attitude changes cause changes in product demand and how products can be sold to customers. Technological factors include forces that create new technologies, creating new product and market opportunities. Technology is based on considerations as to whether the local market has sufficiently developed technologies to take full advantage of the product. It should be noted that high technologies are required to make full use of the variety of promotional methods using alternative advertising media such as television or websites. MNC successful internationalization can be partly attributed to the way the company has overcome technological problems. The systematic substitution of equipment for people and the carefully planned use and positioning of technology have helped each MNC units to be of the same high standard competing globally. When MNC entered the new market, the company should take into account that technology transfer could provide important long-term benefits to the host country. Technology facilitates integration of latest and best of manufacturing and
logistics sourcing aligned with the countries needs to become competitive player internationally.

3.1.3 : Impact of Economic Factor :

Economic factors include factors that affect consumer purchasing power and spending patterns. Economic trends are again, to a large extent, bound up in government policy and area crucial issue to businesses and marketers because of the way they affect consumer spending power. In periods of relative prosperity, a consumer's disposable income will be relatively high and, therefore, there is a willingness to spend more money. Price becomes a less sensitive issue and this affects marketing strategy itself. During a recession, however, spending power decreases making price more relevant. The differences that exist between countries in different stages of economic and industrial development have a profound influence on price setting. Differences in income levels may suggest the desirability of systematic price variations. It is, therefore, important for MNC to understand that, in countries with a lower stage of economic development, it is necessary to set a lower price. The limited purchasing power in developing countries, often combined with low levels of literacy, poses special problems for marketers on promotion. Although theoretically a company has a wide choice of promotional tools, in practice the choice of effective tools is somewhat limited. For example, in foreign markets with low economic development, MNC should try to use cost effective methods of manufacturing and promotion, otherwise the final price would be beyond the reach of most customers.

3.1.4 Impact of Ecology:

The climate and physical terrain of a country are important environmental conditions which have a significant effect on the demand and the type of product made available. Prior to entry into a new market, it is very important for MNC to consider the physical
terrain and climate in the appraisal. Altitude, relative temperatures and humidity are some of the climatic conditions that can affect products in foreign markets. Being environmentally friendly is another important issue to consider. Environmental groups forces MNC to follow Environment Safety requirements like reducing usage of plastic and styro-foam packing. While MNC internal market research shows that environmental issues will have neither a positive nor negative impact on sales, they have to work with the Environmental Agencies and pressure group, to reduce unnecessary and harmful waste to protect environment.

3.1.5 : Impact of Political, Legal and Government factors:
Political factors include laws, agencies and groups that influence and limit organization and individuals in a given society. The dimensions being evaluated include the government attitude to foreign markets, the stability and financial policies of a country and government bureaucracy. Political and legal forces are highly important as they cover many aspects of company policy. Government policy affects industry as a whole through regulatory bodies such as the Department of the Environment, the Department of Trade and Industry. These bodies develop policies on the trading, restrictions and standards within their particular field. The policies created can affect businesses in various ways, in how their products are produced, promoted and sold. Multinational companies should understand that the political background, is different across the regions of the world. Many former centrally planned economies are still heavily protected by the government. In such a climate, it is more likely that proposals for a joint venture will be accepted.
The below diagram explains in brief the impact of external environment factors.

3.1.6: Impact of Ethical and Spiritual:

Environmental resource management strategies are intrinsically driven by conceptions of human-nature relationships. Ethical aspects involve the cultural and social issues relating to the environment and dealing with changes to it. "All human activities take place in the context of certain types of relationships between society and the biophysical world" and so, there is a great significance in understanding the ethical values of different groups around the world. Broadly speaking, two schools of thought exist in environmental ethics: Anthropocentrism and Eco-centrism each are influencing a broad spectrum of environmental resource management styles along a continuum. These styles perceive different evidence, imperatives, and problems, and prescribe different solutions, strategies, technologies, roles for economic sectors, culture, governments, and ethics.

3.2. MNC Management of HRM in India:

This introduction highlights three things: background information of India, recent development in Indian Economy and review of HRM in India. Liberalization of
policies has resulted in a huge increase in competition for Indian firms with foreign firms. In addition, India firms are now under great pressure to change form indigenous, costly and probably less effective technology to a high, more effective and costly technology. Current policies implies a switch over from labour intensive to more capital intensive, automated methods of production and therefore a new requirement for organizations is to remove surplus labour and generate new sustainable environment and employment. The brighter side of the new paradigm is that it has changed the thrust of corporate management from ‘regulation driven to market driven’ and from protection to competition. It has created opportunities for technology up gradation, resource mobilization, from new sources, expansion, diversification, turnaround and internationalization. The pressure was created by liberalization of economic policies results in strong emphasis on HRD in Indian organizations. In fact, HRD is the term often used to denote personnel function than HRM in India. Although the recent reforms have created tremendous pressures on the traditional personnel management system, influence of national culture on Indian HRM. Contentment analysis of an open ended survey shows that many Indian managers believe that social relations play an important role in managing human resources. Indian Managers noted that common Indian values, norms of behavior and customs have an important influence their HRM Policies and practices. To a great extent the present HRM system is a product of social, economic, religious and political factors which have prevailed in India for a long time. Based on a detailed analysis of Indian national culture and its impact on Indian management, Sharma summarizes. It presents a plausible picture of the average Indian’s resistance to

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change, his willingness to delegate but unwillingness to accept authority, his fear of taking an independent decision, his possessive attitude towards his inferiors and his abject surrender to his superiors, his strict observance of rituals and his disregard of them in practice, his preaching of high morals against personal immorality, and his near desperate efforts of maintaining the status quo while talking change. Results show that the influence of national institution like National Labour Laws, Trade Unions, Professional bodies and associations, educational and vocational training set up, International institutions on framing HRM policies and practices. Indian managers give a relatively high priority to customer satisfaction and increased competition, globalization of business on factors which influence dynamics of business environment on Indian HRM policies and practices. Thus the adoption of the framework has not only helps to highlight the main interplay between the HRM policies and practices and national factors but also the context specific nature of Indian HRM. The strong impact of Unions and pressure groups on India HRM has assessed the way HRM is different in different nations and hence such research is of value in practitioner as it helps to develop an understanding of the main predictors of HRM in different national and regional settings.

3.3: Dynamics of HRM Systems in the ASIAN Context

There is a need to examine HRM systems of Asian Countries i.e. primarily the important emerging Asian market in particular the south and east of the continent. For example the current South-East Asian region produced more goods and services than either North America or European Union and this trend is expected to accelerate in the years to come. In spite of all these, the emerging Asian markets have a long way to go before they acquire the status of developed nations. Nevertheless, it is important to examine the role of HRM function in the region as it plays a significant role in the
economic development of nations. Thus the main aim would be to analyze HRM in the Asian context and to present a framework useful for highlighting the main determinants of HRM policies and practices as discussed by Budhwar\textsuperscript{14} and highlight key challenges for HRM functions in the Asian context. The Asian companies that would be considered for comparatives would be from Singapore, Malaysia, Japan, Korea, Taiwan and China. At present, a lot of research are available and is being published on different aspects of Chinese management. Similarly there is information available regarding different aspects of managing human resources in different countries in the region. For example Japanese employment system and quality audits management models of Singapore, Chinese and South Korean business groups are available, however less is available with reference to Indian HRM. MNC studies and in the present context, the validity of a number of such studies and ideal-typical management models is questionable. To avoid such pitfalls, there is now a need to highlight the major factors that determine HRM Policies and practices in the Asian region in particular Indian in the present global context. Such an evaluation will further contribute to the development of HRM theories and relevant policies and practices. Number of studies focus on the possible issues and problems relating to HRM in Asia from a global perspective emphasizing on cultural values and stress the need to indigenise the management practices in Asian Organizations rather than on country specific needs. A significant number of scholars have examines the convergence and divergence thesis in the Asian context. Though over the last decade or so research evidence has helped to supplement the convergence view, recent investigations in the Asian region emphasis the notion of soft convergence is an outcome of globalization. From the MNC perspective, the implementation of global

\textsuperscript{14} Pavan S.Budhwar and Yaw Debrah, "Dynamics of HRM System in Asian context", 4\textsuperscript{th} ASIA Academy of Management conference 2004, Shangai, p5.
standardized HRM practices and policies is also an indication of soft convergence. However, considering the heterogeneity, such as population, geography, economies, economic development phase, labour markets, socio-cultural, legal and political setup and HRM systems in the region and context specific nature of HRM, it will not be sensible to talk about significance or hard convergence. The unique characteristics of different business groups operating on different countries in the region which have contributed a great deal in their economic success have attracted a lot of research. These business groups deep roots in the core institutions like family structure, Confucianism and socio-cultural background of their respective societies and accordingly have their own HRM systems. The economic crisis of the late 1990’s, the financial crisis of 2008 and the present competitive environment have raised questions regarding the validity of such ideal, typical family business management models in the present context. Before the economic crisis, such groups. Although professionalized their management systems, they retained family control and corporate rule. However the pressure created by economic crisis is forcing the groups to relinquish family control and corporate rule by absorbing more professional managers into their top management. A similar pattern is emerging in the Indian private business houses where top positions are being offered to best available professionals and a more formal and rational approach to HRM is being adopted. The globalization and Asian economic crisis have certainly affected the employment relations of Asian Countries in one way or the other such as employment security. Before discussing the framework for analyzing cross national HRM, the complex context of ASIAN HRM makes it difficult to conduct the meaningful analysis for implementing the policies. One of the common mistakes committed by academics and policymakers are use of terms such as Far-East, ASEAN, Asia Pacific and other than
Japan in a very general sense. However, it is important to acknowledge that each nation within the region has an independent set of socio-economic components. These differ from one another in context, arising inevitably from the interplay of social relations unique to themselves. Hence, there is a clear need to see the management phenomena as part and parcel of the distinctive political, socio-economic, cultural and institutional system of a country in the region. In order to develop the conceptual framework for examining HRM in across-national context involving both developed and developing Asian Nations which are not homogeneous in nature, it is important to define HRM in broadest sense:” HRM is concerned with the management of all employment relationship in the firm, incorporating the management of managers as well as non-management labour. The challenges facing HRM in the South-East Asia are clearly complex and daunting. Majority of these challenges have emerged due to the changes in the economic environment. In particular, globalization and international competitiveness have brought to the fore the need for organizations to adopt appropriate HRM Practices in the quest for competitive advantage. In this globalized era, competitive pressures have laid bare the limitations of the traditional models of management in some Asian countries. Clearly, there is some indication that HRM is undergoing transformation in the region and should be context base.

4.0 : SHRM Impact on External Environment and Business Implications:

The crucial role of adoption of adoption of innovative practices has come into existence as an outcome of progressive development in management science and practice. In theoretical research Ashok Som\textsuperscript{15} argues that it is important to analyze organizations work practices as a coherent system. This system perspective is based

on the notion that HRM practices often complement each other, so that the adoption of one HRM practice is only effective when it is adopted in combination with one or more work practices, this system is a coherent whole and that this system is of critical strategic importance—it includes the skills, behaviors and interactions of employees that have the potential to provide both the strategy formulations and the means of strategy implementation. The Firms HRM practices are strategic and are instrumental in developing strategic capability of its pool of human resources. The innovative strategic human resources are defined within the system of strategic human resource management. Hence this study tries to understand and explore the adoption of strategic human resources management practices from the Indian context. Adoption of innovative SHRM practices within the frame work of SHRM system occurs in highly complex social, political and economic environments. Liberalizations, growing competition and changing environments make adoption of innovative practices inevitable prerequisites for growth, success and survival of organization. Analysis of the adoption of innovative SHRM practices by Ashok Som in organizations, therefore requires a better understanding of the environment in which the skills, behaviors and interactions among employees within an organization function. With increasing globalization, Ashok Som says, firms entering the dynamic world of International business, is marked by liberalization of economic policies in a large number of emerging economies like India. Hence, for this study innovative SHRM practices are defined as: “Any intentional introduction of HRM program, policy, practice or system designed to influence or adapt employee the skills, behaviors and interactions of employees and have the potential to provide both the foundation for

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strategy formulation and the means of strategy implementation that is perceived to be new and creates current capabilities and competencies”. There is not much work done in Indian context in this area. Some researchers have recently focused on Indian Context and tried to explain, applicability of emerging theories in India. An Integrative framework for understanding cross-national Human Resource Management or International HRM practices with reference to MNC are currently under discussions suggests that dynamics of personnel management, have transformed MNC organization by developing appropriate global strategy. Thus, we can conclude from the above discussions, that we have drawn a Conceptual frame work for a complex model as shown below, which can be adapted and customized as required based on the current needs of organizational. Design and development of business Strategy either by adapting the best practices or by developing a new model by scanning the current best practices, new requirements, by probing through earlier research work and literature available, thus develop a New Model.

![Basic Development Model HRM](image)

FIGURE-1.2 : Basic Development Model HRM.
5.0 : Conclusion :

Maping, the growth of HRM function from personnel management function, we outline the latest requirement and trends of MNC with reference to external environmental factors as below:

1. Convergence versus Divergence: Global Trends in HRM Processes and Practices. With the globalization of markets, employment relations have significantly changed across industrialized countries throughout the last decades. In this context, there is an ongoing debate concerning the extent to which companies operating internationally should adopt local HRM practices. While some scholars predict that organizations will ultimately converge in their adoption of the most efficient HRM practices, others argue that differences will continue to persist due to cultural and legal constraints. Today, evidence for both homogeneity and heterogeneity in HRM practices across countries can be observed, so that the topic remains relevant for the field of comparative human resource management.

2. Leading Virtual Teams, Challenges and Solutions: In firms with globalized business operations, so called “Virtual” teams are gaining increasing importance. In such teams, team members are geographically dispersed, and interaction is typically mediated by information technology. This poses challenge to traditional forms of leadership, which typically assume a relatively strict hierarchy between the “Leader” and his “Follower”, low geographical dispersion between team members and face-to-face interaction.

3. The impact of the great recession continues to be felt, and economic issues remain top of mind for HR professionals. Issues such as a decline in retirement savings, a potential rise in gas prices, the ongoing threat of dipping back into recession and
greater economic uncertainty were all among the top trends HRM identified. Along with the implementation of health care legislation, the political factor that HR professionals also felt would have a wide-ranging impact on the workplace.

4. Research Spotlight: Key findings from SHRM’s Challenges facing HRM.

More than one-half of HR professionals think that retaining and rewarding the best employees and developing the next generation of corporate leaders will be the greatest challenges. About one-third predict the challenges will be creating a corporate culture that attracts the best employees to the organization, remaining competitive in the talent marketplace and finding employees with the increasingly specialized skills the organization needs. HR professionals are more concerned with developing future leaders and remaining competitive in the talent marketplace, whereas they are less concerned with finding employees in global markets and breaking down cultural barriers to create a truly global organization. Another, biggest investment challenge facing organizations in the next ten years will be that Forty-three percent of HR professionals see human capital as the biggest investment challenge. About one out of five think financial or technological capital will be most challenging. Fourteen percent expect intellectual capital to be the greatest challenge, and only few think it will be physical capital. The most effective tactics in attracting, retaining and rewarding the best employees for the next decade will be by providing flexible work arrangements and a culture of trust, open communication and fairness were the top two tactics in 2012. One-quarter said offering a higher total rewards package than competitors and providing career advancement opportunities would be most effective, whereas the third most common response was meaningful work with clear purpose in meeting the organization’s objectives.
5. HR professionals have been concerned about the high cost of employee health care for many years. This trend was the top issue in the surveys between 2005-2014 and once again the continuing high cost of employee health care was at the top of the list of the most important trends identified in 2013. HR professionals rated the implications of federal health·care legislation as the second most important trend affecting the workplace and the HR profession.

6. Trends of 2013 and Predictions for 2014 as discussed in various Human Resources forums, HR conferences, HR societies at the HR Technical conference, Society for Human Resource Management, white papers, enumerates:

6.1 Shift Towards “Software as a Service”: It is quite obvious that with increasing costs of recruitment, organizations are looking at solutions to cut costs. Cloud recruiting is not just another buzzword, but the future of recruitment. The idea that internet is your computer and you can use it to connect with other recruiters, peers and candidates without the need for an expensive IT infrastructure, works in favor of the recruitment industry. For small and medium businesses, cloud solutions serve as an extremely cost effective and user friendly service.100 percent of Fortune 1000 companies are already using, SaaS for some form of data utilization. By 2014 small business spending on cloud computing products will reach $100 billion annually. One example of frequent use of SaaS in recruitment industry is for assessing people online. Online assessment systems are used in the pre-interview process and can significantly cut down the time taken to conduct an interview. From decreasing the screening time to improving the HR turnaround time, online assessment software have proved to be a great tool for recruiters.
6.2 : Social Professional Networks to Impact Hiring

In 2013, the paper resumes were officially dead. No one can remember the last time they had their resumes printed out. In the times when Facebook, Twitter, Linked-in, glass door, have come to determine the branding and social engagement of a company, social profiles of companies and candidates have gained prominence. With these ongoing trends, one can say with a level of certainty that in 2014 social profiles of candidates will replace the email resumes and resumes from job boards. In its 3rd Annual Global Recruiting Trends survey conducted in 19 countries, where 3,000 talent acquisition leaders were surveyed, Linked-in highlights that social professional networks are increasingly impacting the quality of hire. One of the top priorities of recruitment leaders in 2013, has been improving quality of hires, social networks serve as the second most important place to find quality hires. Going by these trends, social media networks will shape the future of recruiting in long term.

6.3 Mobile Recruiting is on the Rise:

In 2013, wide use of mobile technology by the HR world, have resulted, that year to be known as the “year of the mobile platform”. The emergence of the technical capability that allows the direct “instant” application for jobs from mobile phones will soon become mainstream.” As a direct inference from this, in 2014, organizations would focus on developing career sites or websites which are mobile optimized, and also, B2B vendors should focus on building mobile recruitment apps.

6.4. Harnessing Big-Data : Twitter saw thousands of tweets and re-tweets with big data in 2013. People Matters magazine, in its September 2013 print edition, identifies Top 10 HR Tech Trends of 2014. It says “HR needs to harness and analyze Big-Data for business performance results”. Big-Data, quite literally is the
vast amount of information and data, and making use of this information to work in their favor should be the focus of the HR. All an HR needs to do is to apply this data to a specific problem, which in their case is finding a quality candidate faster, improving return on investment, or decreasing turnaround time.

While HR professionals will have expertise in their respective fields, they might not be well versed with various fields and domains they are hiring for. “HR people—Traditionally—are brilliant for legal, they’re brilliant for motivating people, but they’re not numbers orientated. Only ten percent of HR professionals at Fortune 100 firms have a degree in a subject involving statistics—math, economics, and sciences”.

This is where big data comes in. Recruiters and HR professionals need supportive technology that will enable them to make better decisions.

6.5 Gamification: “Information technology research firm Gartner has already predicted that over 70 percent of Forbes Global 2000 organizations will have at least one gamified application by 2014, with a belief that quarter percent of day-to-day business processes will be using aspects of gamification. One of the key advantages of using gamification in recruitment relies on the fact that not only will candidates be coming back regularly to interact with your brand, but they will be acting as advocates for your brand. A good gamification strategy has users encouraging friends and family to engage too, so they are essentially acting as recruiters themselves. Surely, this is the recruiter’s dream!”