ANALYSIS OFSTRATEGIC HUMAN RESOURCES ON GLOBAL COMPETETIVENESS

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ABSTRACT

An International Human Resource Management termreferring to the instance where an organization's humanresource management (HRM) entails managing employees inmore than one nation is one of the most disciplines that growrapidly in recent decades. It is because of the growing need ofbusiness activities that require international studies andsupported by many scholars who conduct research on thisfield. Many researches attempt to bridge the lack ofintegration between the theory and practices. Company should implement and maintain global bestpractices on its human resources function. In recruiting globalemployees, there is a need to balance between local nationalsand expatriates. The internet and social networking as one ofsourcing strategies is widely used, providing effective andefficient sourcing methods. In the training and development,the integration of talent management and expatriatemanagement in global career development will havesignificant and useful implications. Global mindset is a keyaspect that should be developed in the global leaderdevelopment program. Integrated career planning will berequired to minimize the problems that can arise whenexpatriates return to their parent company after an overseasassignment.This paper begins with a conclusion that gives clear definitions of global competitiveness and strategic human resource management within contemporary organizations. Global competitiveness is able to be achieved only on the condition that all countries around the world move towards the achievement of their objectives in line with the emerging technologies and developments taking place all over the world.

1. INTRODUCTION

In Slovenia, with a population of only two million, we have a lot oforganizations doing business successfully, not only in the domestic but also inthe international environment. Lek, one of our two pharmaceutical companies;Fructal, which produces juices from various kinds of fruit; SCT, the roadconstruction company

and Mura, which produces men's and women's clothes,are some examples of our most prominent firms.In those, as well as in similar organizations that function in the globalenvironment, they can use different approaches to managing employees. Howthey find employees, pay, train, and promote them varies with culture. Theyusually attempt to treat their employees equitably, yet in a culturally appropriatemanner.

When the organization sends its employees to some other country, it takesover the responsibilities besides the basic functions of human resourcemanagement. For example, the functions of staffing, training and developmentare especially emphasized in this organization. They do not deal merely with theselection of the best employees for work in foreign countries but also have to beaware of the needs of the whole family that will accompany the employee to thenew cultural environment.

1.1 The Challenges of Global Competitive Environment and Human Resources.

Global Competitive Environment represents the structural making of the world characterized by the free flow of technology and human resources across national boundaries as well as the spread of Information Technology (IT) and mass media presenting an ever-changing and competitive business environment. Two major limitations are observed in the treatment of the twin issues of the responses to the East Asian economic crisis and the coverage of the literature on globalization. While the response to the crisis has focused on macroeconomic aspects, the issue of globalization has been addressed predominantly in and with respect to the developed economies of Western Europe, North America and Japan. This paper is an attempt to address these two limitations. Since the human factor is the key in the new era of globalization (Hassan, 1992; Sims & Sims, 1995), the primary objective of this paper is to present a conceptual framework for effective management of human resources as a response to the growing interaction of globalization and business performance. Three central arguments are made in this paper. (1)

That a growing body of evidence converge to suggest that changes taking place in the global business environment often are not accompanied by complementary changes in human resource management practices leading to a situation whereby the failure of some firms is due to the mismanagement of people rather than to problems with technical systems per se. (2) That this is because organizations have achieved relatively low levels effectiveness in implementing Strategic Human Resource Management (SHRM) practices (Huselid, et al., 1997) especially in emerging economies of South East Asia and other developing countries like Nigeria that are exposed to the challenges and opportunities of globalization. (3) That in order to manage employees for competitive edge in a period of globalization, human resource personnel must possess competencies relevant for implementing such strategic HRM policies and practices (Barney & Wright, 1988; Huselid, et al., 1997; Ulrich, 1989, 1996; Ulrich, et al., 1995). Guided by theoretical perspectives such as the firm's resource-based theory of competitive advantage (Barney, 1988, 1991; Irwin, et al., 1998; Wright & McMahan, 1992) and empirical evidence (Delery& Doty, 1996; Gittleman, et al., 1998; Huselid, et al., 1997; Leonard, 1990; Pfeffer, 1994; Schuler & Jackson, 1987), this paper develop propositions draws implications for the strategic management of human resources to prepare organizations for the challenges of Global Competitive Environment.

The current financial crisis, which has engulfed East Asia since July 1997 and has subsequently spread to Russia and Brazil, is one of the most pressing challenges facing countries and businesses in today's global business environment. Most of the response to the financial crisis has focused on macroeconomic aspects and there is relatively little research on the role of human resources. Secondly, the issue of globalization has been addressed predominantly in, and with respect to, the developed economies of Western Europe, North America and Japan. This paper is an attempt to address these two limitations since the human factor is one of the key issues in the new era of globalization (Hassan, 1992; Sims & Sims, 1995). The primary objective of this paper therefore is to present a conceptual framework for strategic management of human resources as a response to the growing interaction of globalization and business performance.

Three central arguments made in this paper are: (1) That a great deal of evidence has accrued to suggest that changes taking place in the global business environment often are not accompanied by complementary changes in human resource management practices leading to a situation whereby the failure of some firms is due to the mismanagement of people rather than to problems with technical systems per se. (2) That this is because organizations have achieved relatively low levels of effectiveness in implementing Strategic Human Resource Management (SHRM) practices (Huselid, et al., 1997). This is particularly the case in emerging economies of South East Asia like Malaysia and other developing countries like Nigeria that are exposed to the challenges and opportunities of globalization. (3) That in order to manage employees for competitive edge in a period of globalization, human resource personnel must possess competencies relevant for effective implementation of such strategic HRM policies and practices (Barney & Wright, 1988; Cunningham &Debrah, 1995; Huselid, et al., 1997; Ulrich, 1987, 1996; Ulrich, et al., 1995). Following Wright & McMahan's (1992) comprehensive theoretical framework for SHRM, this paper develops competency-based research framework and draws implications for the strategic management of human resources to prepare organizations for the challenges of globalization.

1.2 HRM issues and challenges in global competitive environment

The coming of the 21st century globalization poses distinctive HRM challenges to businesses especially those operating across national boundaries as multinational or global enterprises. Global business is characterized by the free flow of human and financial resources especially in the developed economies of European Union (EU), the North American Free Trade Agreement (NAFTA), other regional groupings such as the Association of South East Asian Nations (ASEAN), the Economic Community of West African States (ECOWAS), the Southern African Development Community, etc. These developments are opening up new markets in a way that has never been seen before. This accentuates the need to manage human resources effectively to gain competitive advantage in the global market place. To achieve this, organizations require an understanding of the factors that can determine the effectiveness of various HR practices and approaches. This is because countries differ along a number of dimensions that influence the attractiveness of Direct Foreign Investments in each country. These differences determine the economic viability of building an operation in a foreign country and they have a particularly strong impact on HRM in that operation. A number of factors that affect HRM in global markets are identified: (1) Culture (2) Economic System (3) Political System – the legal framework and (4) Human capital (Noe, et al, 2000: 536). Consistent with the scope of the present paper, only one dimension is treated: human capital (the skills, capabilities or competencies of the workforce). This is in consonance with the believe that competency-based human resource plans provide a source for gaining competitive advantage and for countries profoundly affect a foreign country's desire to locate or enter that country's market (O'Reilly, 1992). This partly explains why Japan and US locate and enter the local markets in South East Asia and Mexico respectively.

In the case of developing countries, globalization poses distinct challenges to governments, the private sector and organized labour. These challenges, which must be addressed through a strategic approach to human resource management, include (1) Partnership in economic recovery especially in South East Asia (2) Dealing with the "big boys", the fund managers (3) Concerns over possibility of fraud in E-commerce (such as issues of confidence and trust) and (4) Implementing prescriptions for recovery and growth taking in to consideration the development agenda and unique circumstances of individual country.

The logical question here is what is the appropriate response for businesses in both the developed countries and developing countries like Malaysia and Nigeria to address these imminent challenges? This is the task we take up in the section that follows.

2. LITERATURE REVIEW

The traditional HRM concerns with more administrative functions while the Strategic HRM involves designing and implementing set of internally consistent policies and practices which ensure that firm's human capital contributes to the achievements of its business objectives (Baird &Meshoulam 1988). Aligning strategic planning process to vertically and

horizontally integrate HR functions (Tompkins 2002) should improve the people performance of a firm. SHRM studies in the global context have shown that implementation of SHRM practices have led to improved performance both in financial as well as non-financial terms (Chanda and Shen 2009). Many industries globally have found that strategically aligned human resource functions benefit organisations and employees alike by improving commitment, work satisfaction and performance (Kramar 1999; Lansbury 2003; Cascio 2006).

Of the three types of resources, financial, technological and human in an organisation, management theorists suggest the most difficult to manage or exploit is the „human resource" (Nankervis, Compton and McCarthy 1999). As well as being based on a contract of employment, the employee – employer relationship is based on a psychological or social contract, where employees exchange their skills and commitment for pay and other rewards like job security and benefits (Ancona et al. 2005; Noe et al. 2007). Human Resources professionals and scholars have been developing theories, policies, procedures and practices to better manage the relationship and establishing contingencies for each individual unique relationship (Bernardin 2007).

HRM, despite different interpretations by different scholars and practitioners, has moved forward in most countries. HRM connotes a different approach that is linked with business outcomes for the management of people (Storey 1997). Nankervis, Compton and McCarthy (1999) argue that personnel management relates to the people related functions or activities of recruitment, selection, training, salary administration and industrial relations, when they are performed without relationships between the activities, or the overall organisational objectives. The theory of HRM assumes the underlying interests of management and workers are similar, hence, the values corroborating HRM are predominantly unitaristic, in contrast to the dominant values of traditional personnel management. The emphasis is on individualorganisational linkages, as opposed to the group representation or industrial relations approach that emphasises collective and pluralist values (Guest 1989; Millmore et al. 2007). It also needs to be recognised that HRM theory emerged from other disciplines, such as organisationalbehaviour, psychology, and business strategy and systems theory (Analoui 2007).

The second feature of HRM concerns strategy. Gronfeldt and Strother (2006) define strategy as "a pattern or plan that integrates an organisation"s major goals, policies and action sequences into a cohesive whole". The adopted strategy distinguishes an organisation from its competitors (Purcell 1999). Hence, strategy is the grand plan adopted through employees, to help realise the business mission (Go`mez - Mejia et al. 2004). Strategy may also include the pattern of decisions management applies regarding HR policies and practices and corporate and business level strategies evolve into HR plans (Bratton and Gold 2007) so that HR policies are built from well-designed personnel practices that fit into the corporate business strategy. The strategic nature of HRM is a distinguishing characteristic that makes it a matter of interest to chief executives and senior management teams (Storey 1997).

Another view of the HRM model is that it can be hard or soft. Whilst hard approach to HRM represents objective measures with emphasis on the strategic role human resources play in achieving organisational goals, the soft approach aims at enhancing employee commitment (Beardwell and Clark 2007) and communication is central. Soft HRM approach seeks the involvement of employees through consultation and empowerment (Nankervis, Compton and McCarthy 1999). Hard HRM seeks to manage human resources rationally as a factor of production like any other factor of production (Storey 1992:29). It is also important to note that HRM theories "cannot be divorced from the socio-economic, political and industrial relations climates in which they operate" (Nankervis, Compton and McCarthy 1999:19) and the application of HRM is not a size that fits all as it varies from one country to another. This understanding helps practitioners to decide on the applicability of HRM theories within the settings of their own countries and industries. A key goal of HRM is to ensure that organisations have the "right numbers, types, and skill mixes of employees at an appropriate time and cost to meet present and future requirements" (Nankervis, Compton and McCarthy 1999:22). Awareness of where the organisation is going in the future, the nature of external and internal labour markets and effective strategies for matching labour demand and supply are, therefore, critical for success

3. STRATEGIC HRM AS A RESPONSE TO THE CHALLENGES OF GLOBAL COMPETITIVE ENVIRONMENT

Strategic Human Resource Management (SHRM) involve a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital (employees) contribute to the achievement of its business objectives (Baird &Meshoulam, 1988; Delery& Doty, 1996; Huselid, et al., 1997; Jackson & Schuler, 1995). Schuler (1992: 18) has developed a more comprehensive academic definition of SHRM:

Strategic human resources management is largely about integration and adaptation. Its concern is to ensure that: (1) human resources (HR) management is fully integrated with the strategy and the strategic needs of the firm; (2) HR policies cohere both across policy areas and across hierarchies; and (3) HR practices are adjusted, accepted, and used by line managers and employees as part of their everyday work.

For Wright & McMahan (1992), SHRM refers to "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals" (p. 298). To sum up, it appears that some of the frequently cited fundamental elements of SHRM in the literature are: SHRM practices are macro-oriented, proactive and long term focused in nature; views human resources as assets or investments not expenses; implementation of SHRM practices bears linkage to organizational performance; and focusing on the alignment of human resources with firm strategy as a means of gaining competitive advantage (Nee & Khatri, 1999:311).

3.1 Theoretical Foundations of Strategic HRM

Several theoretical perspectives have been developed to organize knowledge of how HR practices are impacted by strategic considerations as briefly described below. Wright & McMahan (1992) have developed a comprehensive theoretical framework consisting of six theoretical influences. Four of these influences provide explanations for practices resulting from

strategy considerations. These include, among others, the resource-based view of the firm and behavioral view. The two other theories provide explanations for HR practices that are not driven by strategy considerations: (1) Resource Dependence and (1) Institutional Theory.

The resource-based theory of the firm blends concepts from organizational economics and strategic management (Barney, 1991). This theory holds that a firm's resources are key determinants of its competitive advantage. Firms can develop this competitive advantage only by creating value in a way that is difficult for competitors to imitate. Traditional sources of competitive advantage such as financial and natural resources, technology and economies of scale can be used to create value. However, the resource-based argument is that these sources are increasingly accessible and easy to imitate. Thus they are less significant for competitive advantage especially in comparison to a complex social structure such as an employment system. If that is so, human resource policies and practices may be an especially important source of sustained competitive advantage (Jackson & Schuler, 1995; Pfeffer, 1994). Specifically, four empirical indicators of the potential of firm resources to generate competitive advantage are: value, rareness, imitability and substitutability (Barney (1991). In other words, to gain competitive advantage, the resources available to competing firms must be variable among competitors and these resources must be rare (not easily obtained). Three types of resources associated with organizations are (a) physical (plant; technology and equipment; geographic location), (b) human (employees' experience and knowledge), and (c) organizational (structure, systems for planning, monitoring, and controlling activities; social relations within the organization and between the organization and external constituencies). HR practices greatly influence an organization's human and organizational resources and so can be used to gain competitive advantages (Schuler & MacMillan, 1984)

The second theoretical influence is the behavioral view based on contingency theory. This view explains practices designed to control and influence attitudes and behaviors, and stresses the instrumentality of such practices in achieving strategic objectives. The cybernetic system explains the adoption or abandonment of HR practices resulting from feedback on contributions to strategy. For example, training programs may be adopted to help pursue a strategy and would be subsequently adopted or abandoned based on feedback. The fourth influence, based on transaction costs explains why organizations use control systems such as performance evaluation and reward systems. The argument is that in the absence of performance evaluation systems linked to reward systems, strategies might not be pursued. The other two theories provide explanations for HR practices that are not driven by strategy considerations but based on power and political influences, control of resources (resource-based theory) and expectations of social responsibility (institutional theory) (Greer, 1995: 107-8).

3.2 Implications for HRM Practices

The idea that individual HR practices impacts on performance in an additive fashion (Delery& Doty, 1996) is inconsistent with the emphasis on internal fit in the resource-based view of the firm. With its implicit systems perspective, the resource-based view suggests the importance of "complementary resources", the notion that individual policies or practices "have

limited ability to generate competitive advantage" (Barney, 1995:56). This idea, that a system of HR practices may be more than the sum of the parts, appears to be consistent with discussions of synergy, configurations, contingency factors, external and internal fit, holistic approach, etc (Delery& Doty, 1996; Huselid, 1995). Drawing on the theoretical works of Osterman (1987), Sonnenfeld&Peiperl (1988), Kerr and Slocum (1987) and Miles & Snow (1984), Delery& Doty (1996) identified seven practices that are consistently considered strategic HR practices. These are (1) internal career opportunity (2) formal training systems (3) appraisal measures (4) profit sharing (5) employment security (6) voice mechanisms and (7) job definition. There are other SHRM practices that might affect organizational performance. For example, Schuler & Jackson (1987) presented a very comprehensive list of HR practices. However, the seven practices listed by Delery and Doty above appear to have the greatest support across a diverse literature. For example, nearly all of these are also among Pfeffer's (1994) 16 most effective practices for managing people.

An obvious question at this juncture is: How can organizations effectively adopt, implement and maximize HRM practices for valued firm level outcomes? That is, how can firms increase the probability that they will adopt and then effectively implement appropriate HRM practices? Insuring that members of the HRM personnel have the appropriate human capital or competencies has been suggested as one way to increase the likelihood of effective implementation of HRM practices (Huselid, et al., 1997).Ulrich & Yeung (1989) argue that the future HR professional will need four basic competencies to become partners in the strategic management process. These include business competence, professional and technical knowledge, integration competence and ability to manage change.

On the other hand, the United Kingdom-based Management Charter Initiative (MCI), an independent competence-based management development organization, identifies seven key roles and required competencies. These include competencies required to manage roles like managing activities, managing resources, managing people, managing information, managing energy, managing quality and managing projects (MCI Mangement Standards, April, 1997). Finally, Huselid, et al (1997) identified two sets of HR personnel competencies as important for HR personnel: (1) HR professional competencies and (2) Business-related competencies.

HR professional competence describes the state-of-the-art HR knowledge, expertise and skill relevant for performing excellently within a traditional HR functional department such as recruitment and selection, training, compensation, etc. This competence insures that technical HR knowledge is both present and used within a firm (Huselid, et al., 1997). Business-related competence refers to the amount of business experience HR personnel have had outside the functional HR specialty. These capabilities should facilitate the selection and implementation of HRM policies and practices that fit the unique characteristics of a firm including its size, strategy, structure, and culture (Jackson & Schuler, 1995). In other words, these competencies will enable the HR staff to know the company's business and understand its economic and financial capabilities necessary for making logical decisions that support the company's strategic plan based on the most accurate information possible.

3.3 Strategic HRM and Organizational Performance

Researchers in SHRM posit that greater use of such practices will always result in better (or worse) organizational performance (Abowd, 1990; Gerhart and Milkovich, 1990; Huselid, 1995; Leonard, 1990; Terpstra and Rozell, 1993). Leonard (1990) found that organizations having long-term incentive plans for their executives had larger increase in return on equity over a four-year period than did other organizations. Abowd (1990) found that the degree to which managerial compensation was based on an organization's financial performance was significantly related to future financial performance. Gerhart and Milkovich (1990) found that pay mix was related to financial performance. Organizations with pay plans that included a greater amount of performance contingent pay achieved superior financial performance. In combination, these studies indicate that organizations with stronger pay-for-performance norms achieved better long-term financial performance than did organizations with weaker pay-for-performance norms.

Terpstra and Rozell (1993) posited five "best" staffing practices and found that the use of these practices had a moderate and positive relationship with organizational performance. Finally, Huselid (1995) identified a link between organization-level outcomes and groups of high performance work practices. Instead of focusing on a single practice (e.g., staffing), Huselid assessed the simultaneous use of multiple sophisticated HR practices and concluded that the HR sophistication of an organization was significantly related to turnover, organizational productivity and financial performance.

In the case of requisite competencies for HR personnel, emerging evidence from empirical research demonstrates the increasing need for HR personnel to have both HR professional and business-related skills and competencies. A survey of HR executives in the US show that HR managers are spending relatively less time in record keeping and auditing, while their time spent in their activities as a business partner have doubled. The survey also revealed that HR managers believe that their HR staff's most important skill needs are team skills, consultation skills and an understanding of business (Noe, et al., 1997).

Managerial competencies particularly in the HR function bring two advantages to the HR function: (1) Enhance the status of the HR department (Barney & Wright, 1988) (2) Act as important influences on the level of integration between HR management and organization strategy (Golden &Ramanujam, 1985; Ropo, 1993). A study of Singaporean companies found that when HR managers lack the necessary skills to perform their duties competently, line managers and executives take over some of the functions of HR managers (Nee & Khatri, 1999). Research on managerial competencies by Ropo (1993:51) stressed that "the internal dynamism of the HR function serves as the most critical mechanism to keep the integration process going after it has been started under favorable organizational and strategic circumstances". Other studies show that if HR managers can evaluate their priorities and acquire new sets of professional and personal competencies, the HR function would be able to ride the wave of business evolution proudly with other functions in the organization (Becker & Gerhart, 1996; Ulrich, et al., 1995).

Huselid, et al (1997) conducted an elaborate study on 293 firms in the US to evaluate the impact of human resource managers' professional/technical competencies on HR practices and the latter's impact on organizational performance. Results of the study suggest that consistent with the resource-based view of the firm, there exist a significant relationship between SHRM practices and firm performance. They found that (1) HR related competencies and, to a lesser extent, business-related competencies increase the extent of effective implementation of SHRM practices and (2) consistent with recent studies linking HRM activities and firm performance (Arthur, 1994; Cutcher-Gershenfeld, 1991; Huselid, 1995; Huselid& Becker, 1996; MacDuffie, 1995), the study support the argument that investments in human resources are a potential source of competitive advantage.

Recent reviews of theoretical and empirical literature (Juhary Ali &Bawa, 1999; Irwin, et al., 1998; Jackson & Schuler, 1995) suggest that a variety of factors affect the relationship between HRM and firm performance. These factors include firm size, technology and union coverage.

4. HUMAN RESOURCE ACTIVITIES

Human resource activities in global HRM are broadly divided into three activities which can be easily expanded into typical six HR activities. These are:
Procurement
Allocation
Utilization

Types of employees:

There are three categories of employee when we look the employee of an organization from global perspectives.
Host-country nationals (HCNs)
Parent -country nationals (PCNs)
Third -country nationals (TCNs)

Countries:
The country categories involved in Global HRM are:
The host country where a subsidiary may be located.
The home country where the firm is headquartered and
Other countries that may be the source of labor, finance and other inputs.

4.1 The Need for Global HRM: Globalization

Due to globalization business process is expanding which require improvement in temporal and functional flexibility in the business processes and to accomplish this corporate are spreading their recruitment net even beyond their state boundaries.

The search for skills and the competencies at the middle level managers and upwards has today become an international affair. This resulted in greater diversity among the human resource deployed at various workplaces within and outside the nation. A need thus arises to manage these cultural and institutional differences between countries where the business has spread, so as to keep the productivity and profitability on par with global competition.

In the age of globalization, strategic management of human resources is becoming critical for organizational survival. Global business environments demand flexibility and rapid response. There is growing realization that the human dimension provides the key to flexibility and adaptability in organization.

Intercultural management:

Orientation to the organizational culture is a vital for all new joiners. Managers need to understand the dynamics of cross cultural adaptation. Intercultural management requires the ability to get inside the head of people from other to know how and why they view the world with their basic values and beliefs and solve problems.

Intercultural communication and the management skills cannot be learnt by simply gathering information about other cultures. This may reduce some uncertainty and decrease prejudice, but it does not give authentic cross – cultural knowledge. The only way we learn intercultural communication and management is through some sort of experience, coupled with cross-culturally validated management principles.

Shrink in product life cycle:

In a globalized business environment, product life cycle have shrunk to months demanding everything to happen faster. Consumers today want services at the speed of thought. In this fast paced e-world, decisions are required to be made in real time, which means instantaneous communication between businesses located in different countries and also affording accesses to information and knowledge to all associate with decision making.

There is a time to integrate the functionally and geographically separate units by securing the cooperation of the entire workforce through effective communication.

To organize, inspire, deploy, enable, measure, and reward the value-operational work, there must be an effective communication from corporate headquarters to different units located in different countries and cultures and to accomplish this HRM should invariably get internationalized. It is only through a clear understanding of difference between countries in terms of culture diversity and value- system that managers can effectively communicate with the employee pool of international horizon and accomplish business goals.

5. MECHANISMS OF GLOBAL HRM INTEGRATION

While control has been defined as any process in which a person, group ororganization determines or intentionally affects what another person, group ororganization will do , coordination refers to the means through which the different parts of an organization are integrated or linked together to accomplish a collective goal .

In line with the approach by Kim, the present study views global integration as comprising both the above tools of control and coordination that are used to achieve consistency of business activities overseas. An overview of different mechanisms of HRM integration is now presented.

For the purposes of structure and clarity, Kim et al.'s (2003) classification of four global integration modes –

Centralization
Formalization
Information based
People based

The four categories of integrating mechanisms are conceptually independent, collectively exhaustive, and detailed.

Centralization-based mechanisms

Centralization is generally referred to as the most direct form of control and is widespread in classifications of control in the international management literature.

In terms of centralization as a means to integrate HRM, empirical studies have highlighted the exercise of headquarters authority in determining senior management pay, recruitment and development as well as other financially sensitive HR issues like headcount and salary expenditure. However, in qualitative studies, such direct forms of centralized parent control are found to be rare compared to other more 'unobtrusive 'forms. Case study evidence suggests that rather than being determined in a purely mechanistic way, centralization should be viewed as anoutcome of the dynamic parent-subsidiary negotiation process whereby the source of centralization may in fact lie at the regional, not the global level.

Formalization-based mechanisms

Formalization-based mechanisms refer to the standardization and thus codification of work procedures and policies on a global basis. Representing a largely impersonal and indirect form of control, formalization-based mechanismshave been labeled in different ways such as impersonal coordination, often in association with the Weber an notion of 'bureaucratic' control that seeks to limit subsidiary management's role and authority.

The formalization, or 'bureaucratization' of HRM in MNCs, characterized by attempts to devise and implement common international HR structures and guidelines, has been shown to be commonplace.

While some studies depict global HR policies as a means of creating a common language across countries, others argue that such formalization efforts are dependent on other less formal 'social' control mechanisms for their overall effectiveness. As an extension of centralized control, illustrate how policy creation and implementation are also negotiated processes, reporting increasing subsidiary involvement in the former and some scope for interpretation of the latter.

Information-based mechanisms

This category includes those tools that facilitate the international flow of information whether it is via simple databases or via more complex electronic data interchanges. Information-based integration has been interpreted as a means for headquarters to communicate and regulate information that is

central to strategic decision making. Hence this is one of the key areas through which the HR function could position itself is in its role in global HRM.

Information-based integration of HRM was mostly restricted to the use of databases shared internationally (e.g. corporate intranet) or via electronic communication tools. Through these media information was stored on a range of HR-related topics, including employee information, culture surveys, training material and company HR policies.

People-based mechanisms

People-based mechanisms incorporate the transfer of managers and the various forms of committees or taskforces whose mandate is to integrate business operations. While the use of expatriates has traditionally been viewed as a personal form of monitoring and supervision, more recent research suggests that MNCs deploy expatriates for much broader purposes including the fostering of shared values and the transfer of knowledge. While some studies have demonstrated expatriates' significance in effecting the resemblance between parent and subsidiary HR practices. The integration of HRM in this group format is suggested to be on the increase in connection with the rise of informal networking and knowledge transfer 'spaces'.

6.   GAINING GLOBAL COMPETITIVENESS THROUGHINTERNATIONAL HR PRACTICES

A. Recruiting and Sourcing Global Employee

Recruitment is a vital function of human recoursemanagement, which can be defined as the process of searchingthe right talent and stimulating the employees to apply for jobsin the organization. There are two sources in which a companycan get employees who are globally ready: externalrecruitment or develop internally. Some companies prefer todevelop their employees by providing necessary trainings andthen assign them with international assignments in theiroverseas subsidiary. Other companies choose to recruit fromexternal areas, whether from professional labor market orhijack employees from their competitors. Alternatively,recruiting can also be conducted by global employmentagencies, commercial recruitment agencies, or specializedconsultancies.

Sourcing is the use of one or more strategies to relate talentto organizational vacancies. It may use different sorts ofadvertisements, using appropriate media, such as newspapers,specialized recruitment media, window advertisements, jobcenters, job fair, or the Internet. There is a growing trend inusing the internet as a sourcing method. The onlinerecruitment market size is estimated to be US $ billionglobally. Social networking sites, such as Facebook andTwitter, allow individuals to post and share personalinformation, which has led many US employers to use socialnetworking sites to screen job applicants. As an IT basedcompany, Telkom should be more familiar with this kind ofrecruitment tools, especially for Assessment Center unit.

Next issue on choosing employee for internationalsubsidiaries is whether they are from local nationals orexpatriates (nationals of the parent company or third-countrynationals). Armstrong argue that there are some advantages ofemploying local nations such as familiar with local marketsand community, speak the local language, and can

contributefor a long period. Thus, for a long term businessoperation, local nationals will play important roles in thesuccess of overseas subsidiary. However, expatriates will berequired if there is lack of experience and expertise of localnationals. When a company needs to enter the marketimmediately, they may use expatriates instead of localnationals. For example, when starting to open new business inoverseas, TELKOM, mostly used expatriates from homecountry (Indonesia) instead of employing local nationals.

B. Training and Development

Training and development plays important role sincehuman resource is one of the most critical source ofcompetitive advantage. Well skilled global employees willdetermine the success of a company, especially one thatoperates in global business. Once a company expandedbusiness internationally, there will be a greater challenge forits Training and Development function because it involvesmultiple subsidiaries and partnership in other countries,developing global strategy, and assignment number ofemployees to international positions. It has to deal with localculture, local language, local laws and other local contents.Tarique and Calligiri (1995) proposed that thefollowing steps should be taken to design a training programfor expatriates and local nationals:

- Identify the type of global assignment, e.g. technical,functional, tactical, developmental or strategic/executive.
- Conduct a cross-cultural training needs analysis coveringorganizational analysis and requirements, assignmentanalysis of key tasks and individual analysis of skills.
- Establish training goals and measures.
- Develop the program – the content should cover bothgeneral and specific cultural orientation; a variety ofmethods should be used.
- Evaluate training given.

Another issue in MNC's training and development is howto develop global leaders, since leaders will translatecompany's mission into actions, take decision in criticalcondition, and energize people to achieve highestperformance. One aspect that differentiates global leadershipdevelopment with traditional leadership development is thedevelopment of a global mindset, the ability to influenceindividuals, groups, organizations, and systems that are unlikethe leaders. This global perspective includes sensitivityto multiple cultures and their differences, work experience inmore than one country, and knowledge about how and willingness to seek customers, financial resources and supplies, technology, innovations, and employees throughoutthe world. For example, to develop its global leader,TELKOM uses Thunderbird Global Mindset Inventory thatconsists of Intellectual Capital, Psychological Capital, andSocial Capital.

Cerdin and Brewster argued that talent management andexpatriation are two significantly overlapping but separateareas of research and that bringing the two together hassignificant and useful implications for both research andpractice. They provide framework of global talentmanagement as a combination of high-potential developmentand global careers development as explained in Figure 1. Theconcept of global talent management captures the combination of the talent segmentation approach of talent management andthe broader human resource

management policies thatcontribute to the management of all talented employees.Global talent management is centered on the development ofemployees, and it includes both high-potentials developmentand global careers development. Global career developmentpolicies should be developed and integrated with Telkomglobal leadership development.

Fig.1.Global Talent Management Framework Source.

C. Repatriation Policies

International assignment is generally challenging, exiting,and full of exposure not only for expatriates but also for theirfamily. They have to deal with a new situation that sometimestotally different with what they experienced before. Asrepresentatives of parent company, expatriates will beassigned a challenging job and targets. Therefore, thecompany will provide good facilities, compensation, andbenefits. The compensation practices of most MNCs rewardtheir international assignees quite well, the internationalassignee and family typically live quite well in the foreignlocation. In contrast, after they have finished their assignmentand returned to their home country, their careers are often overlooked. Some expatriates are assigned a similar positionwith the one that they left a couple years ago. This kind ofmishandling of returning expatriates means that a good dealof critical knowledge is lost to the organization.

CONCLUSION

The approach to international human resource management inturn influences the implementation of the major international human resourcemanagement functions of recruitment and selection, development and training,performance evaluation, remuneration and benefits, and labor relations.Companies taking an ethnocentric approach attempt to impose their homecountry methods on their subsidiaries. The polycentric approach follows localpractices. Finally, a geocentric or global approach develops practices for worldwideuse. Since the globalization now becomes a reality, a companyshould exploit its business opportunity by expanding itsbusiness globally. Thus, the readinesses of its human resources management that suit the managing employees in different countries become more important. The effectiveness of humanresource management policies and practices across nationalboundaries has become a key strategy to achieve a competitiveadvantage in the global markets. A multinational companyshould concern and develop its IHRM policies and practicesthat enable the company to win in global business.An International Human Resource Management termreferring to the instance where an organization's humanresource management (HRM) entails managing employees inmore than one nation is one of the most disciplines that growrapidly in recent decades. It is because of the growing need ofbusiness activities that require international studies andsupported by many scholars who conduct research on thisfield. Many researches attempt to bridge the lack ofintegration between the theory and practices.

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