

HRM Strategies & Issues with Reference to Uae Market Practices



Management

KEYWORDS :

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ABSTRACT

Basic HRM issues in UAE are acquiring employees, developing employees, motivating them and retaining employees. Acquiring Employees is very important issue in HRM as the selection of correct employee directly affects performance of the whole organization. The main alternatives existing in international management is based on Perlmutter's (1969) early work on ethnocentric, polycentric and geocentric managerial perspectives and behaviours (Doherty, L., Klenert, A, & Manfredi, S, 2007). Emiratization or host country nationals employment is one of the main key issues in private and public sector both.

The effective management of an organization's human resources is vital for the successful implementation of international strategies in multinational companies (Keating, M. & Thompson, K., 2004). IHRM focuses on the management of human resources on a global basis. For a multi-national corporation, how to effectively manage various differences from the subsidiaries located in different countries is a crucial part to its IHRM. Then choosing the right approach influences the great implementation of the major international human resource management functions. Those companies that take the ethnocentric approach attempt to impose their home country methods on their subsidiaries. But it results in bad outcomes in the subsidiaries. Various issues arisen from the ethnocentric approach are confronted by the corporations that adopt ethnocentric approach. The multi-national corporations have to find another approach to effectively carry out the global competitive strategy and deal with the local tough issues in subsidiaries.

Therefore it's important to understand the determinants of international staff recruitment and selection strategy. This paper is to evaluate the different strategies and its effects on the firm in UAE market. It also considers the nature of industry, internationalization and culture within an organization.

Staffing in an international market like United Arab Emirates points towards diverse environments . Recruiting overseas business is imperative because several MNCs have difficulty in collecting international management team mixing information of local market circumstances with local and organizational ability. Different alternatives for global assignees exist, including Parent-country nationals, Host-country nationals , third-country nationals, mixed and ad hoc. (Shen, J., 2006). IHRM is responsible by an organization's wide approach equally to international growth / strategy and to strategic HRM. One of the most helpful typologies that enlighten the main alternatives existing in international management is based on Perlmutter's (1969) early work on ethnocentric, polycentric and geocentric managerial perspectives and behaviors (Doherty, L., Klenert, A, & Manfredi, S, 2007).

The first approach is the ethnocentric approach. This approach is characterized by a centralised organisation, where all practices and decisions are established in headquarters and no localisation of practices is allowed (Vidal, Ma E.S., Valle, R.S., Aragon, MA I. B., 2007).

As to the issue whether ethnocentric approach to HRM should be used in Multi-national Corporation, both the advantages and disadvantages of ethnocentric approach deserve to be analyzed and evaluated. The advantages of ethnocentric approach include: offers multi-national orientation opportunities to employees through the working experience at parent company; cultural similarity with parent company guarantees various transfer of business and management practices; permits tighter control and closer coordination of international subsidiaries for the headquarters (Grandrose CS, 1997); establish a big pool of

international experienced executives for the parent country. The disadvantages of ethnocentric approach include: the subsidiaries may create problems of adaptability to the local environment and culture; the corporation may involve high transfer fee and salary costs; sending managers to subsidiaries may result in personal and family problems; it may be more possible to lead to high failure rate;The advantages of ethnocentric approach include: offers multi-national orientation opportunities to employees through the working experience at parent company; cultural similarity with parent company guarantees various transfer of business and management practices; permits tighter control and closer coordination of international subsidiaries for the headquarters (Grandrose CS, 1997); establish a big pool of international experienced executives for the parent country. The disadvantages of ethnocentric approach include: the subsidiaries may create problems of adaptability to the local environment and culture; the corporation may involve high transfer fee and salary costs; sending managers to subsidiaries may result in personal and family problems; it may be more possible to lead to high failure rate; it may has disincentive effect on local-management morale and motivation; the subsidiaries may be subject to local government restrictions, and others.

The second approach known as polycentric relies on Host Country National for being employed to administer subsidiaries in their own country, while positions at headquarters are sustained by parent country nationals. In this circumstance, each subsidiary is supposed as separate national unit with a level of independence in decision-making and is mainly used when applying a multinational approach. This approach frequently results from immense exterior pressures such as laws in diverse countries requiring local management contribution. Work pattern may have to be determined locally. The host country may be a key client and so manipulate the way of doing business (Harris., P .R., & Moran, R. T., 1996).., & Moran, R.T., (1996)

Polycentric approach has certain positive outcomes. By hiring Home Country Nationals, language obstacles are conquered, there is ideal information of the industry, legal and political configuration and culture. Also there is no setback in the alteration process, when dispensed to new posts in contrast to expatriates. By using HCN's labour turnover reduces and productivity enhances. Additionally, HCN managers get lower remuneration and benefit packages which have substantial result in reduction of administration costs. This approach has been in focus in UAE in a governmental program called Emiratization where new rules and regulations focus on hiring the locals.

But, this approach has some disadvantages. This can be explained as latent crisis in communication and control between the headquarters and the subsidiary. This is accredited to difference in language, clashes of interest and cultural differences. As a result, there is an inconsistency in the strategic management process and the quest for general objectives as every subsidiary will operate as a separate business unit. Another drawback

is the conflicting career selections that PCN's and HCN's face (Deresky, H., 2000). Though, expatriates occupy prominent positions at the headquarters but they are constrained from an international career which would give them added knowledge on how things work abroad. Similarly, Host Country Nationals cannot occupy positions at headquarters or anywhere abroad, thus, restricting their career development. with reference to the UAE market there is a particular disadvantage of expatriate workforce being more cost effective and talented as the country's population is only 20% while other are from developing and underdeveloped countries like India, Bangladesh, Pakistan and Philippines.

The next recruitment approach is geocentric, in which there is no inequity among Parent Country Nationals, Host Country Nationals and third country nationals . MNC's following this kind of orientation identify that each component of the organization makes distinctive contribution with its own exceptional competence (Tarique, I., Schuler, R., & Gong, Yaping., 2006). This implies that employment decisions are exclusively made on who is most appropriate for the job. This approach mirrors a more global vision towards international expansion. That is, candidates are selected either within or outside the organization and the selection guidelines are based on their abilities and not nationality.

An important benefit is that the use of international employees produces a workforce that is multi-diverse and multicultural which is necessary in today's competitive and diverse environment. Thus, performance between headquarters and subsidiaries are more integrated and consequently more effective and efficient. The employees of the corporation are very proficient, willing and skilled and all of these characteristics can be passed on to future candidates via knowledge management. This is important for the progress of the company's global activities. To employ Third Country Nationals in managing subsidiaries can be extremely helpful as language and cultural barrier are not a concern. In addition, TCN's get low remuneration which makes it cost effective for companies to employ them (Hill, C. W. L., 2001).

However, there are limits to this approach. For instance, there is substantial training and transfer costs to be taken into consideration. In addition, there are certain host governments who have executed severe legal and trade regulations to avert the competitive entry of expatriates in support of the country's home nationals. Another topic that companies do not anticipate is the exploitation of Parent Company Nationals, Host Country Nationals and Third Country Nationals in diverse background.

OUTCOMES

When an organization's at phase of internationalization a need for control is necessary. High level of control is required when a firm is at the initial internationalization stage; this is achieved by using an ethnocentric approach. As the firm grows, it requires managing international manufacturing and marketing actions, thus shifts IHRM activities to the geocentric approach.

As the number of firms in UAE is increasing day by day, the problem to hold the talent within the firm is also increasing. UAE firms basically focus on financial incentives to retain employees but as large number of firms (and hence increased opportunity) is there, the financial incentives seem inadequate to retain employees in modern UAE business environment. Thus the issue of employee retention through non-financial incentives, work-life balance is on a high in UAE.

In conclusion, recruitment and selection require an HR model that complements the culture and regulatory business setting. It is important to react to the various and growing demands of the international employment market such as UAE. The demand of every industry has an impact on all sectors of the organisation. Concluding, we can say that companies in the future should consider recruitment & staffing strategies based on both global & local practices. for example a solution is to this problem can be separate recruitment mechanism for foreigners and UAE nationalist. For this, the companies in UAE are required to set quotas for both UAE locals and foreigners in the country. Companies in UAE can adopt separate methods of recruitment for expatriate and local workforce. One of the practical examples of this solution in UAE's (ADNOC) Abu Dhabi National Oil Company's GNRP program. GNRP stands for group National Recruitment Program. Under this program, the company encourages more and more UAE citizens to be a part of the organizations. Separate department known as GNRD or Group National Recruitment Department takes care of recruitment under this policy. The recruitment of foreign nationalist takes place by traditional methods. So in this way, separate recruitment methods for UAE locals and foreigners can be a solution to the issue of recruitment of human resource in UAE under the light of Emiratization. However more government and public sector organizations follow a similar strategy to ADNOC in United Arab Emirates. The focus for the current market environment is to encourage and increase rate of employment of Host Country Nationals. Companies such as MUBADALA focus on the development of new private companies managed and operated by the UAE locals.

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