

OLLSCOIL NA hÉIREANN, GAILLIMH
NATIONAL UNIVERSITY OF IRELAND, GALWAY

SEMESTER II EXAMINATIONS 1999/2000

BACHELOR OF COMMERCE DEGREE

STRATEGIC MANAGEMENT OF HUMAN RESOURCES – MG316

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Time Allowed: 2.5 Hours

Answer all questions

All questions carry equal marks

Read the Case Study: First Provident Bank

1. Answer either A or B:

- (a) First Provident Bank is adopting a policy of International Human Resource Management. Define International HRM and assess the factors which have led to its development.

OR

- (b) First Provident Bank previously used an Ethnocentric staffing approach. Critically discuss the key elements of this approach, using organisational examples.

2. Adler and Ghadar (1990) identify four stages towards developing International Human Resource Management. Identify the stage at which First Provident Bank is at, making reference to its strategy, staffing policy, performance management and training and development opportunities.
3. “One of the main challenges of HR is the development of effective career development processes”(Case Study :5). Assume you are the **International Training Manager** for First Provident Bank. Develop a strategic management training programme for its managers, taking into account issues effecting international managers.

Case Study: First Provident Bank (FPB)

First Provident Bank employs 26,200 staff in over forty countries. This extensive network is a source of competitive advantage since many customers need cross-border, international products. Though a British company, there is no large home domestic base of operations, with 90% of staff being employed outside the UK. Head office functions are based in both London and Singapore. FPB is a medium-sized bank in global terms. It was a multiple-domestic operation but it is now building a “transnational” organisation with five businesses in **global financial markets, trade finance, international, corporate and retail banking**. The aim is to move to a position where the FPB operates internationally, instead of having a domestic market and seeing international business as something different. Profits have nearly trebled in four years, with 60% of profits coming from Asia-Pacific, despite the Asian economic crisis.

Part of the reason for that success lies in the change in management thinking from being a dated colonial culture to one which encourages local development within a corporate framework. Part of the shift included moving away from long-term expatriate assignments for mainly British managers to the development of an internationalised group of local managers. As a result of these changes, the number of expatriate managers on long-term assignments has fallen from 800 to 98 during the 1990s. A more egalitarian approach has replaced the old culture, where everyone has opportunities regardless of gender or ethnic background. FPB has long exported expertise to its overseas operations. If people leave from the UK they cannot always be guaranteed career entry back home. Graduates and other managers who become internationally assigned are no longer expected to move regularly from one posting to another; they will tend to return to their “home” countries after one or two international assignments. They do, however, need a global perspective through either their background, experience or education. Many live and work in their home countries but become part of an international network.

FPB adopt a “One Bank” philosophy of “Global as you can, Local as you must”. Richard Easterby, Global Head of Human Resources for Treasury, stresses that FPB believes itself to be a “transnational network” organisation. The organisation’s strategy, such as working on a cross-border basis, its structure, culture and systems all aim to be

transnational. Typically this means having a local customer focus and global product management. The idea is that good practices shall be created in centres of excellence and then adopted globally.

Richard Easterby, formerly Regional Head of Human Resources for UK/US, is now in a corporate role in Treasury. As a HR leader and part of a global business stream, Richard's main role is an advisory role. His particular focus is on developing HR strategies with regard to the:

- Capabilities required in the business
- Top Team succession plans and talent pipeline management
- International assignments
- Business-specific reward policy – core policy is “One Bank”
- Business-specific training and development

Role of the Global HR function

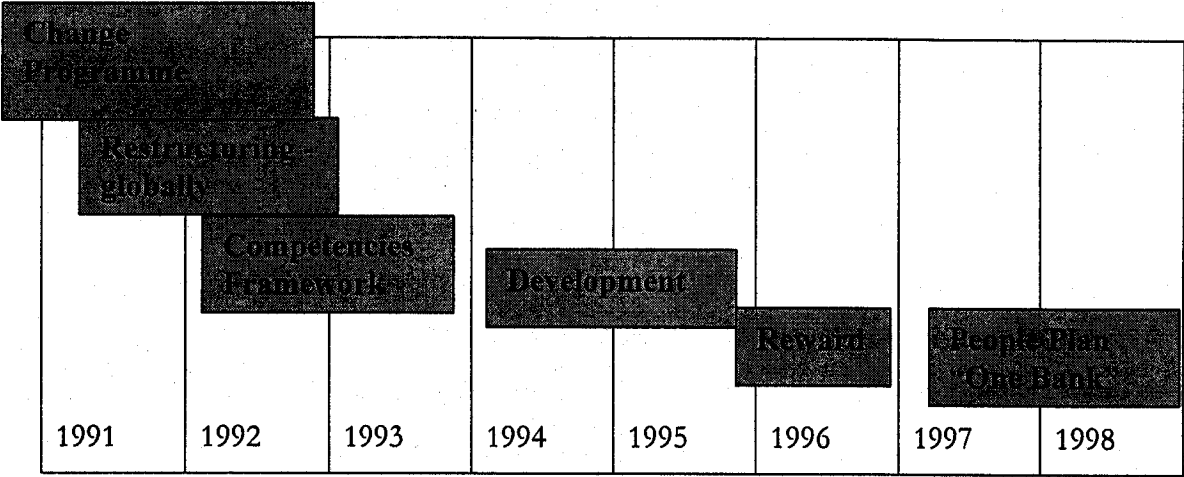
In moving from a multiple local to a transnational bank, FPB needs to globalise many of its processes. In particular, people processes need to be re-engineered. In HR development terms, this means creating a framework for management skills training which is broadly the same everywhere. The intention is that as people move up the organisational hierarchy they are exposed to more international programmes. At junior levels, training will be provided locally; at senior levels, training will be at international business schools, in middle management, people will be exposed to both local and global programmes.

Global Human Resource priorities

The organisational change programme introduced in the early 1990s, brought about a significant culture shift at senior levels. The programme was run globally and focused on how the business needed to change to cope with the demands of the then business environment. When the change programme was cascaded down to middle level it became local. It was at that point that the need to restructure became apparent since changed mindsets were not enough to overcome the limitations of the way the structure operated. The five global business streams were established. An international competencies framework was developed in the mid-1990s, to provide a common template for understanding effective performance. An international project team was

then established to review the initial competency work and adapt it for use across global operations at all levels.

Figure 1.1 Global HR priorities at First Provident Bank



The competencies are based on the organisation’s values and have become a shared language for identifying strengths and development needs at individual and organisational levels. The values expressed as behaviours are readily understood and accepted by managers. A number of applications of the competencies highlight the importance of recognising local cultural differences. Upward feedback, for instance, although developed five years ago, is now proving acceptable in some countries. In a more traditional Chinese culture, for example, the notion of giving feedback to someone older or more senior may seem disrespectful. The competencies are also used to design targeted development programmes. One of these programmes was devised to enable local managers to develop global mindsets and business skills.

The reward strategy focused on global performance management and appraisal. A common bonus for the top 600 employees, was introduced, symbolising that they were all part of one global team. Cross-border performance management and measurement systems have been introduced. Briefings and workshops are conducted to facilitate improved global communication under the heading of “Plan for People”. These briefings helped to embed what had already taken place with regard to performance management, reward, resourcing and international development. The “One Bank” concept will provide further impetus to reconcile the challenges of global and local initiatives and ownership.

Remaining Challenges

International Development and Careers

One of the main challenges for HR is the development of effective career development processes. Despite the development of local managers, high-potential employees are still expected to be mobile and lack of mobility is a limiting factor in career terms. To some extent it is hoped that the recruitment of international graduates, many of whom are mobile for a time at least, will ensure that people acquire the requisite experience at an early stage in their career. Middle managers who may need some hard management experience are increasingly being offered opportunities for short-term international assignments.

Increasingly people see their careers developing through the five global business streams rather than the bank as a whole but this places even more importance on the need to develop "One Bank" general managers. While this gives the business streams a strong role in developing people, it also tends to mean that organisations are reluctant to release people for roles in other parts of the business. A senior-level management development committee looks at high-potential employees and encourages heads of business streams to make sacrifices for the good of individuals and the group as a whole.

Pressure on Costs

Managing and learning at a distance is costly. FPB have invested heavily in the distance-learning MBA at Henley Management School, UK. Over 150 people have gone through the programme. Certificate and diploma programmes have also been developed through the Open University. The HR team wants to measure and track how the learning is applied. They want to encourage people to take more responsibility for their learning and to find out how learning could be more cost-effective.

However, Richard Easterby is very clear that skills development must have some interactive element and the inevitable costs are expensive. Video conferencing, though increasingly used, is no substitute for bringing people together. It is far better to have some "personal" contact than relying on an impersonal medium which happens to operate in all time zones.

When is a local focus appropriate?

In FPB's experience, there is a relatively clear split of responsibilities between the global and the local HR delivery. At global level, issues related to senior managers' share scheme and group bonus are key priorities. Executive recruitment and development is also a global responsibility. At local level, responsibilities include employee relations, market benefits and general recruitment. Responsibilities such as management training, reward planning and graduate recruitment are shared throughout the HR global network.

Key Lessons

In developing an integrated global business, a HR strategy that is fully integrated with the business strategy is essential. This means not running before you can walk. Richard Easterby suggests that it is important to identify and focus on a few critical HR practices rather than attempt a large number of initiatives which do not deliver. Globalising the key players in the HR community is an essential first step, along with helping the whole team to understand the importance of achieving an effective global/local balance. Finally, it is worth recognising that global network cultures are more complex than those in "conventional" single country organisations and require much more co-ordination and persistence.