

Sushmita grapples with the HR implications of AICL's global plans

It was an unusually hot afternoon of October 2019. Sushmita's thoughts were racing over the formidable challenge she faced as she came out of Vijay's glass paned y air-conditioned office.

Sushmita Gupta, the Vice President - Human Resources (VP-HR) at Advanced Industrial Computing Limited (AICL), was a master's graduate in Business Administration and had about 14 years of HR experience. This was her first role as a company head of HR. She had strong knowledge and experience of human resource processes, employment legislation, and legal regulations in the Indian context. In her previous role, she had gained intensively worked in the area of employer branding and recruitment marketing strategies.

AICL, a computer networks equipment manufacturing firm, has built a successful business over the last ten years. Sales had increased at an annual rate of 20 percent, and profits had correspondingly grown. The company has set up overseas sales offices and exported to the Americas, Europe, Australia, and Southeast Asia for the past seven years. Recently, AICL's top management has been mulling over the possibility of developing manufacturing and distribution capabilities in South America, Germany, Vietnam, and, possibly, China. Doing so would allow AICL to take advantage of being closer to its high-growth markets and avoid export barriers. In addition, it could be more responsive to local demand for its products and move toward being a truly global firm in the age of globalization. The expansion plans included production facilities in Bogota (Columbia), Mexico City (Mexico) and Eschborn (Germany), Hanoi (Vietnam), and Queensland (Australia).

In her weekly meeting today, Vijay Kumar Pathak, the AICL CEO, asked Sushmita to prepare an analysis of the human resource impact the international expansion moves would have on the company. The report was due in two weeks, which had set Sushmita's thoughts racing this afternoon. As Sushmita sat down at her desk, she began to jot down ideas. She was somewhat baffled by this global angle of HRM, as she had no experience or training in managing human

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This case is prepared as a basis for classroom discussion. It is not designed to present illustrations of either correct or incorrect handling of administrative problems.

resources internationally. She struggled with several questions while attempting to create an outline for her report. Sushmita pondered how AICL's HR activities will AICL's HR activities change when the company expands globally. Compared to domestic HRM, what additional HR complexities need addressing to support AICL international expansion plans? What other variables needed attention to avoid 'poor' global HRM? What HR questions need further reflection or study? And equally important, how should she gather information for these questions? Who should she talk to?

She felt it would be good to have a more detailed discussion with the CEO, to understand what he expected from the report. At one level, she felt increasing the share of international sales was a good idea, and if it required setting up more sales offices, so be it. But she was not entirely convinced about setting up production overseas. It would significantly increase the cost of operations –financially and in time requirements. While prices vary from country to country, it still means heavy investments. AICL personnel would need to be present on-site, adding to more costs. And, if things did not pan out as expected, liquidating and exiting could be highly costly and complex. Sushmita hoped that the top management team had undertaken a detailed feasibility study for the expansion plans. She was unaware if such an exercise was undertaken.

She wondered if she should ask Vijay to put her on the executive team working on the overseas expansion proposal without appearing to have ulterior motives. The HR complexities the idea entailed were too difficult to fathom. Bringing new talent on board overseas would be demanding on her HR team at the headquarters and on the factory HR teams too. Hiring processes and norms vary from country to country, and it would be necessary to gain insights on local job postings, interviewing, job offers, benefits, and onboarding. Though the numbers would not be many, still some people would need to move across countries, and her team would then have to deal with different categories of employees - local employees and international assignees. The policy toward compensation and other HR issues would need attention too. Different countries had different rules on compensation, and the laws and regulations were constantly changing. The current AICL compensation policy would need to change. If disregarded, the compensation issues could snowball AICL into operational, taxation, and legal trouble. Cultural and commercial assimilation would be an uphill climb. Aside from the

language, dealing with different bureaucratic, political, and legal issues and processes would require local expertise to protect AICL from various compliance risks. Sushmita realized that if the overseas plans went through, she and the team would need to take a broader, international perspective of HR issues. She made a mental note to call Shiv Verma, the VP of Finance, to gauge the thinking of the other members of the top management team on this strategy of global expansion.

She mulled over the idea of reading up on newspapers and researching literature on HR strategies for international expansion. Sushmita felt it essential to gain insights on the critical trends likely to affect a global workplace in the coming 5-10 years. Surveys, expert reports, and analyses could help her understand the forces driving business globalization, changing demographics, and the changing nature of work and worker patterns. She needed more information on engaging and integrating a global workforce, research based evidence to back up her report outlining the HR implications for AICL.

Sushmita recalled meeting a global mobility consultant at an industry conference who had worked with several multinational companies to set up global HR policies. The consultant had explained to her how he could support her team in their international HR activities. At the time, Sushmita politely informed him that she did not need international HR services for AICL as it was predominantly a domestic operation. She made a note to pullout the consultant's business card and hoped the consultant's contact details remained unchanged. The thought that in a tight situation, she could request Vijay to approve the use of an external consultant in the report preparation gave her some relief. Hiring the consultant would be an additional cost, and she would have to cut down on other planned HR expenses to make room for this project. She reasoned the additional costs would be justified if her report clarified what AICL's policy should be AICL's policy and recommendations for workforce solutions to set up and operate the overseas plants. Vijay would undoubtedly expect that her report included recommendations regarding engineering the HR dimensions of the international expansion to ensure the AICL was competitive, cost-effective, and optimized for operating a manufacturing plant overseas.

Sushmita was aware that companies like HUL, P&G, IBM, Intel, and Philips had evolved streamlined International HRM policies and practices over time. She reflected that reaching out to her network in these companies would give her some ideas for the report. It would help align AICL's international HR policy with the overall business objectives and remain competitive. Also, the inputs could help her to build a business case for her recommendations in the report. To Vijay and the top management team, it would provide essential information on the current practices and evolving market trends for attracting and retaining the right workforce in overseas plants.

As Sushmita put down her pen late in the evening, the complexity of the report loomed before her. This will be no easy task, she concluded. As she left the office and made her way to the parking garage, she wondered, where can I get help with the information needed to fill the report? And she knew it was equally important for her to be on top of the initiatives and changes required to take AICL global. Vijay and the top management team would expect nothing less.

The due date for the report to Vijay was only two weeks away. During the meeting, Vijay had made it clear that he expected her to act with alacrity on the information. And it had to be done, while she managed her other routine AICL India HR priorities. As she fastened her car seat belt, Sushmita gave a wistful thought to her plans of a family summer holiday in Europe that now appeared near impossible.
