

Proposal

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HR Strategies of Globalizing Firms from Emerging Economies (BRICS)

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Overview

It is proposed to hold a panel of presentations on the HR policies and strategies of globalizing firms from emerging economies such as Brazil, Russia, India, China and South Africa (BRICS). This topic is of considerable interest from theory, policy and practice perspectives.

HR Strategies & Globalizing Firms

Globalization has presented many firms with opportunities to expand their operations across nations and continents. There are numerous cases of documentation of firms from industrialized nations that have gone global. Much less attention has been paid to the cases of firms from emerging economies that have begun to take advantage of global opportunities to expand. This paper examines the role that human resource policies play in helping such firms expand globally. This phenomenon is of special interest for two reasons. First, firms from emerging economies face additional hurdles in overseas expansion. Second, since these firms lack capital relative to firms from industrialized nations, their competitive advantage often lies in taking full advantage of their human resources.

Firms expand globally in a variety of ways. Strategic management experts generally hold that effective expansion strategies have a good fit with market conditions and technology. Firms from emerging economies, given their domestic focus in recent decades, would generally lack global experience which in turn would increase the cost of raising capital. They could also face higher costs in accessing state-of-art technology given the difficulty in finding suitable partners. So, these firms can be expected to obtain a significant component of their competitive advantage through their use of human resources.

Leveraging human resources for global expansion can take two possible routes. The first would be to simply take advantage of low labour costs that characterize many developing labour markets. The illustrative example here would be that of manufacturing. All other factors being the same, a labour market where wages are, say, 5% of the wage in an industrialized country, could shave off 20-30% off the price of a product, depending on the share of labour costs in the total cost. Most of the savings come in the form of lower wages for semi-skilled workers who are the most numerous group in a manufacturing plant.

The second route would be for the firm to utilize higher skill labour (in professional, technical and managerial occupations) that can produce higher value-added products but would be paid at a much lower rate than their counterparts in industrialized countries. This route is more complex to undertake but can produce much higher profits. The illustrative example here is more likely to be in services such as research and development, information technology, bio-technology, etc.

It is also likely that many firms from emerging economies would use a mix of these approaches. For example, in the pharmaceutical industry, Indian firms have gone abroad initially by buying small firms in industrialized nations. These acquisitions allow the firm to qualify as a “domestic” player in these markets. It familiarizes them with industry regulations so that they can begin bidding as a qualified supplier. Once certain contracts have been won or patents filed, they would then turnaround and begin manufacturing in their low-cost operations back home.

This panel will investigate HR strategies of firms from the BRICS group: Brazil, Russia, India, China and South Africa. The firms elected have made successful forays into the global market since the early 1990s. The panel speakers will be asked to first outline the business expansion strategy of each firm. This will be followed up with an account of their human resource practices. Speakers will be asked to examine recruitment, training, rewards and career management practices. Each speaker will attempt to answer the question of whether human resource policies have been central to the global success of these firms. Specifically, they will examine the following questions:

1. Do human resource (HR) policies play a significant role in the globalizing strategies of firms from emerging economies?
2. In what ways do these firms leverage the HR advantage?
 - a. Use low-cost, low-skill labour to undertake labour-intensive work
 - b. Use moderate-cost, medium-to-high skill labour to enter value-added markets in industrialized countries
 - c. Replicate developed-nation firm strategy to build brand strength and combine it with low-cost manufacturing in the home country
3. What are the key challenges to using HR as a source of competitive advantage in light of the following challenges?
 - a. Labour costs for highly-skilled workers are rising rapidly
 - b. Training costs are high
 - c. Turnover in rapid growth industries increase labour costs
 - d. Building brand strength in developed countries can be very expensive and slow

The proposed panel will be constituted as follows. Each person will submit a full-length paper as well.

Chair: Anil Verma, University of Toronto

1. **Brazil:** The case of Vale, a global mining firm
Hélio Zylberstajn, Universidade de São Paulo
2. **Russia:** “HR practices of expanding Russian companies: balancing between importing foreign practices and developing culturally-specific approach”
Oleg Vikhanskiy, Anna Gryaznova, Viktoria Petrova, Graduate School of Business Administration, Moscow State University
3. **India:** “HR Policies at TCS: A Strategy for Global Expansion in the Information Technology Sector.”
Anil Verma, University of Toronto & **C.S. Venkata Ratnam**, IMI, New Delhi
4. **China:** “Globalisation and the role of its HR strategy: Case study of a leading Chinese telecom corporation – Huawei.”
Fang lee Cooke, University of Manchester
5. **South Africa:** “HR strategies of South African MNC's in emergent markets: survey findings.”
Frank Horwitz, University of Cape Town