

MBA

Main Challenges faced by Multinational companies when planning Human Resources in Venezuela

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Abstract

Human Resources Planning has been in consider a key factor for the development of companies and its success is highly reflected in the markets nowadays. Such planning may varies from country to country and therefore, the aim of this research paper is to explore whether Human Resources Planning can still be consider of relevance within Multinational companies in Venezuela given the main challenges faced when planning its operations in this country.

The influence of external factors prevailing in Venezuela, such as legal restrictions and socio-economic problems in the Human Resources Planning has been analyzed in detail through this paper in both the academic and the field perspective. As a result, this study lead us to understand that even though planning plays an important role for Multinational companies, the skill of improvising and being flexible with said planning has an important role in particular environments such as the ones currently present in Venezuela.

It is shown that due to the existence of those particular challenges, global policies and practices should be adapted in order to fulfill the reality of this country. In addition, it was evidenced that recruiting and retaining the right people has become a hard task in Venezuela as a consequence of the increasing brain drain that affects the country.

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Chapter 1: Introduction

Human Resources (HR) is considered nowadays a business partner that plays an important role within the organisations. Bahuguna, Kumari and Srivastava (2009, p.567) have stated that the: “HR department now became more than a business function: it is a business partner, reaching out to support lines of business”. Thus, HR department must work in partnership with other business units to ensure the integration with other management functions.

According to Anyim, Mba and Ekwoaba (2012):

"For good business performance, it is important that manpower planners become a strategic partner with the business planners. For a long time, scholars in organizational development (OD) have maintained that improvement in business performance is directly tied to efficient manpower planning and closely linking the plan to strategic objectives. However, what some practitioners do not realize is that the answer is not necessarily on the application of the latest management principles but rather it is on the comprehensive integration of manpower planning with business plans and strategic objectives" (Anyim, Mba and Ekwoaba, 2012, p.61)

Making the best possible use of HR have become crucial in designing the strategy of the organisation, and hence one of the most important priorities for managers. In particular, HR Planning (HRP) -also known as “manpower planning”- has been understood as a vital activity since a contemporary approach suggests that the success of the organisations depends largely on its employees. In this respect, Gunnigle, Heraty and Morley (2006) state:

“For example, as Snell [2005] and others have argued, in the current era of increased competition and globalization, many of the traditional sources or competitive advantage, such as barriers to entry [e.g. monopolies], technology and access to capital, have become

less important, with the result that HR and HR processes can emerge as key sources of competitive advantage” (Gunnigle, Heraty and Morley, 2006, p. 44).

Notwithstanding the foregoing, in some jurisdictions believe that planning has become less important due to the fact that we live in an uncertain environment. However, even though planning has become more difficult nowadays, it is still important. In the particular case of Venezuela, planning is even more challenging due to factors that are foreign and out of the control of the management of each company. Therefore, making a good HR plan in Venezuela implies not only analyzing the specific challenges present in this country but also how to manage and adapt the HR global policies imposed by the head office to face those challenges.

In that line of thought, and bearing in mind how Multinational Companies (MNCs) operate under different environments, Kapoor (2011, p.46) sustains that “Only the multinationals that will be willing to adapt their human resource practices to the changing global labor market conditions will be able to attract, develop and retain the right talent, and will likely succeed in the global competition”.

Through this paper we will illustrate the main challenges faced by MNCs in Venezuela in conducting the planning of HR, how external factors can influence the decisions and the actions that must be taken by these companies and how is managed this situation in connection with other countries. It is also intended to highlight the importance that HRP still represents, especially in MNCs that operate in complex environments like Venezuela, and how it positively influences the achievement of the organisation’s goals, by providing a better understanding on how said HRP helps MNCs in Venezuela to deal with mobility of employees, assigning global tasks, managing a global workforce and adapting the strategies and plans in this special and complex environment.

In order to illustrate the relevance of this research work, it will be explained the importance of HRP as a part of the business strategy. Then, we will provide an explanation of the process that must be considered when planning is carried out, how HRP is managed within MNCs to finally address the main challenges faced by MNCs operating when planning HR in Venezuela. We

hope this research offers an important contribution to HR students and professionals in this area from a practical point of view, in both Venezuela and other jurisdictions that might experience similar circumstances in its working environment.

Chapter 2: Literature Review

2.1 The importance of HRP as a part of the business strategy

A contemporary approach suggests that the success of the organisations depend largely on its employees. This is supported by Anyim, Mba and Ekwoaba (2012, p.58) who have affirmed that “Since the beginning of the 21st century, there has been increasing claims that the route to competitive advantage is achieved through people”. According to this, it is possible to sustain that the better an organisation employs its human resources the better its development will be.

HRP seeks to identify the needs of the organisation in terms of HR in order to create a plan that ensure that organisations count with the appropriate number and qualified personnel to meet those needs. In this regard, Batholomew (2012, p.471) sustains “The essence of manpower planning is summed up in the aphorism that its aim is to have the right numbers of people of the right kinds in the right places at the right time”. Thus, HRP can ensure a more accurate use of the HR, which implies more satisfied and better trained employees. Also, hiring the correct people or anticipate fluctuations in hiring needs can result not only in reducing cost for organisations but also in improving their performance and reducing employee turnover. This can be done through an effective HRP designed in connection with the strategy of the organisation.

Indeed, HRP must be linked with the corporate strategy in order to contribute in the achievement of the goals set by the organisation. In this regard, Reidy (2011) explains:

“Human resource planning is of major importance because the organisation needs to be prepared as far as possible for changes in its internal and external environments. HR planning helps to prepare the organisation to deal with future staff and skill requirements

so that it can be achieve its **strategic objectives** [...] HR planning is an essential part of the overall **corporate strategy** [...] making decisions on whether to recruit or train employees depends on organisational plans [...]" (Reidy, 2011, pp. 23-24).

Based on the foregoing, linking the corporate strategy with the HRP becomes vital in order to succeed in these difficult times. In this regard, Jackson and Schuler (1992, p. 235) said "Because the purpose of human resource planning is to ensure that the right people are in the right place at the right time, it must be linked with the plans of the total organization".

On the other hand, HRP in MNCs will depend on how they are globally organized. According to Gunnigle *et al.* (2007):

"Previous research on MNC subsidiaries has distinguished between those that are autonomous, those that are controlled from higher levels and those that are the source of information and resources for other sites (cf. Gupta and Govindarajan, 2000). In the parallel UK study, Edwards *et al.*, (2007: 17) posit three potential scenarios regarding the role of the HR function: An autonomous HR function [...] A controlled HR function: [...] A limited autonomy HR function" (Gunnigle *et al.*, 2007, p. 20).

However, whatever the form of organization is, HRP should be provided in connection with the business strategy. In this regard, Anyim, Mba and Ekwoaba (2012, p.58) has indicated that: "there must be congruence between business plan and manpower if the organization's vision, mission and objectives are to be achieved [...] Integrating the manpower planning function with business plans means aligning decisions about people with decisions about business projection".

2.2 HRP process

As stated previously, competitive advantage can be gain through people. Thus, in order to achieve the competitive advantage, it is required to design the HRP with the business strategy. In conducting HRP, it is necessary to follow a process, which entails a set of steps that allow

organisations to determine the right number of employees with the required skills according to its goals.

A traditional approach suggests that the HRP process include four stages. In accordance with Gunnigle, Heraty and Morley (2006):

“The planning process [...] identifies four key stages in the human resource planning process: stocktaking; forecasting; planning; and implementing [...] all these stages are interlinked and thus form a cycle whereby human resource planning affects, and is affected by the range of human resource policy choices that the organisation has available to it” (Gunnigle, Heraty and Morley, 2006, p. 95).

Based on the foregoing, there are basically four HRP stages: stocktaking, forecasting, planning and implementation, which can be briefly explained as follows:

1. *Stocktaking*. It involves analyzing the existing situation within the organisation. It does not imply only the evaluation of the needs of the organisation in terms of personnel and skills but also, but also the external factors that can affect the organisation (e.g. employee mobility, economic and legal factors, among others). In this regard, Macaleer and Shannon (2003, p.16) state that organisations must “Understand the internal and external factors that may affect the achievement of the objectives that will ultimately impact the programs and services you will provide”. Stocktaking is relevant because the organisation needs to know how many people need to be working and in what jobs to implement organisational strategies and attain organisational objectives;
2. *Forecasting*. In words of Pilbeam and Corbridge (2006, p. 97) forecasting “involves the comparison between the identified supply of labour and the quantified demand for labour in terms of the skills and competencies needed to achieve the corporate aims”. Thus, the aim of forecasting is to determine the number and type of employees needed in the future. As observed, forecasting is important because without it organisations cannot assess the

disparity between supply and demand nor how effective a HRP program is in reducing said disparity ;

3. *Formulation of the plan.* Once the organisation has identified the current resources and the staff required, it can proceed to elaborate the plan. The organisation develops action plans based on the gathered data, analysis and available alternatives. It has been suggested that when creating the plan some elements should be considered. In this regard, Reidy (2011, p. 32) refers: “Beardwell and Claydon (2007, p.175) suggest formulating plans under the following headings: resourcing [...] flexibility [...] retention [...] downsizing”.
4. *Implementation.* According to Gunnigle, Heraty and Morley (2006, p. 103) “On completion of the human resources plans, the organisation operationalizes its decision and the cycle is once again set in motion”.

Also, it is important to bear in mind that HRP is an ongoing process that must be updated depending on several factors such as particular needs of the organisation, legal and economic changes, among other. Reidy (2011, p.33) supports this by stating that “organisation’s internal and external environments need to be monitored for any signs of change and plans need to be **reviewed** in light of any changes that occur in these environments”.

For some authors, the above mentioned process seems to be limited in order to fulfill staffs requirements since the HRP process should include other areas. In this regard, Macaleer and Shannon (2003) state:

“The human resources planning process must consider not only specific staff needs, but also areas such as: Services to be provided in support of the specific strategic objectives and the cost and timing for these services. Prioritization of the strategic objectives and identification of the specific services to support those objectives with cost/benefit analysis” (Macaleer and Shannon, 2003, p.18).

This approach suggest that HRP process is a set of activities that go beyond recruiting the required staff, which can be understood as a strategy-based HRP process.

Additionally, it is important to mention that there are different models and ways of planning. Thus, it will depend on the one specific model chosen by the organisation. As observed, HRP involves having the right number of qualified people in the right jobs at the right time. Hence, it is possible to sustain that having an adequate HRP process is an important tool in order to achieve successfully the objectives of the organisation.

2.3 HRP in MNCs

The success of organisations both nationally and internationally requires planning and anticipating possible actions and solutions in all areas, including HR. As a consequence of the globalization, HRP is not only about analyzing and calculating the demand and supply of HR across the organisation but also about mobility of people, management of cultural and geographical differences and developing a global mindset among their employees.

Labor mobility (mobility of people) refers to the geographic and occupational movement of employees while international labor mobility is the movement of employees between different nations. There are two typical forms of international assignments: expatriation and inpatriation. Expatriation means transferring parent country nationals from the head office to a subsidiary while inpatriation refers to transferring host-country nationals from the foreign subsidiary to the head office.

Normally, when the objective is empowering the capacity of local adaptation, MNCS tend to use local talent. However, under certain circumstances, organisations choose to assign expatriates to help the head office to understand the local conditions and control the operations of the subsidiary. In this regard, Serafinceanu *et al.* (2010) say:

“Sometimes managers from the country of origin of the company are required to train the personnel. The need for expatriated occurs when certain qualities and experiences are

required in a certain place, when there is a significant need for integration in the multinational company of the other divisions in the world and when the needs cannot be met on a local level” (Serafinceanu et *al.*, 2010, p. 323).

Thus, managing employee mobility becomes important because without the right training and planning, employees moving to foreign countries will not be prepared to meet the challenges present in those countries.

In that sense, it should be noted that planning becomes important in order to be productive by taking advantage of its resources (HR), and therefore, being prepared to address the issues related to employee mobility should be included in the company’s strategic planning.

According to Lazarova (2006) MNCs:

“need to be aware of the local HR context in each country that hosts a subsidiary of theirs. In turn, their HR departments need to develop and coordinate HR policies and programs that cut across a variety of nations, each with its own historical, political, legal, economic, social and cultural characteristics” (Lazarova, 2006, p. 36).

Notwithstanding the foregoing, it is important to mention that there are some factors conditioning the transfer of personnel that should be carefully addressed. Serafinceanu et *al.* (2010) noted that:

"The first factor conditioning the transfer of resources from the parent organization to the daughter companies is the *way* they are *organized*, since they can be self standing daughter companies of the parent company or can be formed by a local partnership. Certain similarities or differences can thus occur between the way the parent- and the daughter- company are organized, which can facilitate or impede the implementation of human resources policies and practices specific to the parent organization at the level of the daughter companies” (Serafinceanu et *al.*, 2010, p.319).

There are different modalities in which companies can run their HR activities at international level. For example, the Perlmutter's model identifies four modalities, which are:

1. *Ethnocentrism*: parent organization has a direct control on the daughter company in the host country;
2. *Polycentrism*: daughter companies are relatively independent from the parent company, which means that policies and practices are adapted to local needs;
3. *Geo-centrism*: MNCs are seen as an international entity and the HR policies are implemented to maximize global results; and
4. *Region-centrism*: MNCs' activities are carried out at the level of regions.

Identifying the model used by the MNCs is important because according to Serafinceanu et al. (2010, p.315) it "highlights the way in which multinational companies develop and implement human resources' strategies and policies at the level of daughter companies in the host countries".

Likewise, management of cultural and geographical differences and developing a global mindset among their employees is a difficult task that must be planned in advanced.

Cultural training refers to the preparation of employees from several cultures to work together while *diversity training* refers to the instruction of a person or a group for living in another country (e.g. training for expatriates and their families).

In this regard, Malik and Aminu (2011, p.319) indicate that "To achieve success in global marketplace, the challenge of all businesses regardless of their size is to understand global corporate cultural differences and invest in human resources". Likewise, Pucik (1996, p.2) affirms that "To succeed in global competition requires an open and empowered organizational climate but also a tightly focused global competitive culture".

Consequently, companies must be flexible aligning people management practices to cultural and institutional norms governing the local market. For these reasons, a cross cultural training and diversity training must be included in the HRP.

Besides, even though MNCs must adapt to local conditions, it must also keep a stable sign of identity. Thus, the development of different HR practices (e.g. selection, rewarding, training) for employees of different subsidiaries can generate unfairness problems between them and causes problems of corporate image. Therefore, organisations must implement global policies and practices, and adapt them only when is necessary according to the circumstances of a particular jurisdiction. According to Serafinceanu et al. (2010):

“All the relationships developed at the level of a multinational company ensures both its integration, and differentiation of its practices of human resources at the level of its daughter companies. Essentially this is the role of international strategic management of human resources. This is because the implemented human resources practices at the level of daughter companies include, more or less, specific elements to the local context where they run their activity (economic, political, cultural, social, institutional, legislative etc. environment)” (Serafinceanu et al., 2010, p. 322).

Meanwhile, developing a global mindset is oriented to facilitate some competencies such as flexibility and openness to experience. It also allows employees to know organisational structure, increase networking and developing skills such as work efficiently in different environments. In words of Pucik (1996, p.4) “having a „global HR mindset“ implies a recognition of benefits that can flow to the whole organization from encouraging and valuing cultural diversity in people, not just as members of distinct cultural groups but as individuals”.

On the other hand, Bonache and Stirpe (2011) sustain:

“Multinational companies are faced with the challenge of managing a global workforce. Success in this regard calls for careful HR planning [...] dealing with mobility not only as regards staff (expatriates, impatriates and third country nationals), but also as regards

positions (task relocation) and know-how (transnational team training)” (Bonache and Stirpe, 2011, p.73).

According to the abovementioned, other factors such as task relocation must be considered by MNCs when designing the HRP. Task relocation (offshoring) refers to move jobs to other countries (an office, a complex function, etc.) and involves seeing the world as a global labor market. Some reasons justify Offshoring. For example, offshoring the less qualified manpower can reduce costs substantially. Furthermore, having access to more qualified personnel brings the benefit of having access to a superior talent that allows the organisation to gain a competitive success. It also can improve the operating efficiency.

As observed, HRP in MNCs are challenged, especially when said MNCs operate in countries that present uncertain environments such as the case of Venezuela.

2.4 Main Challenges faced by MNCs when planning HR in Venezuela

Venezuela is a South American country that currently faces serious political, social and economic problems, which are constantly reflected in ever changing laws and administrative rules imposed by the government. Therefore, planning in Venezuela becomes more difficult every day due to its unstable and uncertain environment that highly affects the performance and development of MNCs in many ways.

As a consequence, organisations in Venezuela must take decisions depending on those changing factors, which might lead to the idea that long-term planning can be seen as less important nowadays. In this sense, Armstrong (2009) stated:

“Summarizing the problem, Taylor (2008) noted that: It would seem that employers, quite simply, prefer to wait until their view of the future environment clears sufficiently for them to see the whole picture before committing resources in preparation for its arrival. The perception is that the more complex and turbulent the environment, the more important it is to wait and see before acting” (Armstrong, 2009, p. 488).

Nevertheless, although planning is becoming more difficult especially in countries like Venezuela, it still remains as a very important function within HR and should be taken into consideration when designing the strategy of the organizations. In this regard, Farnham (2006) explains that:

"manpower planning is important because it encourages employers to develop clear and explicit links between their business and human resources plans, and to integrate the two more effectively. It allows for better control over staffing costs and numbers employed and it enables employers to make more informed judgment about the skills and attitude mix in organizations" (Farnham 2006 cited in Anyim, Mba and Ekwoaba, 2012, p.57).

It is known that several internal and external factors can influence the way a business is being conducted. In the particular case of Venezuela, it is possible to argue that planning becomes a hard task when compared with stable countries such as United States of America or countries of the European Union. According to Anyim, Mba and Ekwoaba (2012, p.56) "Planning has become more complex, particularly in this present time of increasingly turbulent business environments, which increases the tensions between the greater need for planning and the greater difficulties of prediction".

Venezuela is a country situated at a strategic geographic location whose main source of income is oil. Also, Venezuela had, during the 1900s, a stable legal framework that provided security for investors. Consequently, it used to be an attractive market where many countries wanted to invest in (especially those in the oil industry sector).

Nevertheless, Venezuela has suffered several changes from 1999 that have affected its economy and stability, since the country experience a change in its constitution and subsequently (by government decisions and later implementation of laws aiming to that end) entering in a new scheme of government and economy that even when label as "social" it is not quite yet define, presenting contradictory realities for the businesses that take place in the country. As a consequence, doing and conducting a MNC in Venezuela has become a complex task, especially when planning finance and HR.

Nowadays, trying to adapt and adequate global policies imposed by the head office to the Venezuelan reality and needs must be managed in a different way compare to other countries. In accordance to Bent *et al.* (2005):

"Successful corporate management in these turbulent and competitive conditions require from management the development and adaptation of enterprise functional strategy; fast and consistent implementation of strategies in business plan and a high degree of flexibility and adaptability to changing business situations (Bent *et al.*, 2005, p. 138)".

For the anticipation of the needs of a business, a stable environment is ideal since it reduces variables and therefore risks. In words of Anyim, Mba and Ekwoaba (2012, p.57) "The integration of business and manpower planning is likely to be more appropriate in a stable market place with largely passive (and static) customers, and with scope for long-term forecasting because of the predictability of demographic change".

Planning is more difficult where the rules can be changed in any moment without having any guarantee that the laws will be respected and the economy will not vary abruptly. A country could be considered unstable when is liable to fall or sway its economy or its legal framework (for diverse reasons), which can bring devastated consequences for the different aspects of the development of its businesses (either directly over the finances or market practices, or indirectly, through employment related conditions that can turn in the unviability of the business).

According to Thompson (1967, cited in Jackson and Schuler, p. 224). "Uncertainty can interfere with efficient operations, so organizations typically attempt to reduce its impact; formal planning is one common tactic used by organizations to buffer themselves from environmental uncertainty".

Bearing in mind all the above mentioned, even though there are several challenges (internal and externals) faced by companies when planning HR in Venezuela, two main challenges will be analyzed as follows: the legal and the socio-economic.

2.4.1 Legal restrictions

In the past few years, several regulations have been enacted in Venezuela to increase employees' protections. The most recent is the Venezuelan Organic Labor and Worker's Law published in May, 2012. Also, one of the most representative measures that have strengthened the employee's protection under the Venezuelan law is precisely the so-called special bar against dismissal, enacted first in 2002 and later extended and amended through sixteen decrees. Likewise, a foreign currency exchange control is enacted in Venezuela since 2003. All these regulations will be analyzed as follows.

2.4.1.1 The Venezuelan Organic Labor and Workers' Law

According to the Venezuelan Organic Labor and Workers' Law, all workers, with the exceptions of senior or upper management employees and employees hired for an indefinite term having no more than one (1) month of service, are protected and may not be dismissed without just cause. The unjustified dismissal of such workers is null and void unless the dismissal has been previously authorized by the Labor Inspector's Office.

When the employment relationship terminates for reasons not attributable to the worker, or when the worker is dismissed without cause and elects not to be reinstated, the worker is entitled to an indemnity equivalent to the value of his/her seniority benefits. This kind of measure increases enormously the labor costs for the organisations.

2.4.1.2 Special bar against dismissal

The special bar against dismissal tends to protect employees for an indefinite term. According to this measure, employers cannot dismiss protected employees, not even by paying them additional compensation, unless the dismissal has been previously authorized by the Labor Inspector's Office. The measure has been subject to changes since it was first enacted by a Presidential Decree a decade ago, becoming more restrictive to employers.

Indeed, beginning in 2002 and as a part of the current Venezuelan state policy to protect employees and regulate the labor market, the special bar against dismissal was enacted and then extended and amended through sixteen decrees up to this date. What was initially conceived as a short-term measure (and apply in such a form by previous governments in Venezuela) became a permanent practice implemented by the government, allegedly to prevent the high rates of unemployment.

The special bar against dismissal not only prohibits dismissing protected employees but also to transfer them, or make unilateral changes in their working conditions (including salary or benefits) that could deteriorate their employment protection. According to Roig (2011, p.1) the bar against dismissal “Does not benefit anyone. If the best employees are not in the company, it will become less competitive and companies will force to keep the less good employees”.

In general, medium and large size organisations are most likely to comply with the measure since for them it is much more convenient and necessary for practical reasons since failure to comply with this ban (as well as other imposed rules that are less aggressive for the business environment) might lead not only to fines and proceedings against the company, but also to a most immediate consequence which is the impediment for the issuance of permits granted by the government, for instance, the „labor solvency certificate“.

Indeed, companies in Venezuela are bound to obtain a „labor solvency certificate“ issued by the Ministry of Labor, which is required for several purposes related to the conduct of the business, among others: (i) participate in bids and enter into agreements with the public sector (e.g. state owned companies); and (ii) purchase foreign currency from the Venezuelan exchange control authorities at the official exchange rates.

Failure to comply with the bar against dismissal can cause the denial and even the revocation of the labor solvency certificate. Furthermore, being the subject of several positions for reinstatement may call the attention of labor inspectors who can plan unexpected visits to the employer and impose fines, if applicable.

But there are also severe financial consequences related to this ban, mostly with regards to the expenses that such measure represents for the normal performance of a company, more considering that certain organizations, due to the dynamics of its activities (and given the new period of one month imposed by the law to activate the protection against dismissal without just cause), tend to have a regular rotation of its personnel.

In that sense, we most highlight the communications received by the International Labor Organization (ILO) in 2010 and 2011, where the Venezuelan Federation of Chambers and Associations of Commerce and Production (FEDECAMARAS for its Spanish acronym), declared that application of the special bar against dismissal could mean that employees agree to financial compensation from their employers to avoid bringing the cases before the labor authorities.

That is precisely what is happening in practice: employers are negotiating with employees offering them attractive packages enticing them to agree to resign. The cost of the dismissal is unpredictable since it would depend on the negotiation process with each employee that the employer needs or desires to dismiss.

Dismissal of skilled employees tends to be more expensive than dismissal of less skilled employees, since the formers would generally require more benefits in order to reach an agreement. Although it varies from case to case and there is no clear parameter to determine compensation and benefits, the attractive packages offered by employers trying to convince protected employees by the bar against dismissal to sign a resignation letter, usually contain: (i) the compensation established in the OLL for unjustified dismissal, (ii) a payment equivalent to several month's wages, (iii) the amount the employee would have received for unemployment insurance, and (iv) the extension of certain benefits, such as the company's health insurance. The attorneys' fees are an additional expense that employers would have to consider to calculate the cost of the total package.

Although this is an alternative for employers who under certain circumstances are forced to dismiss employees, the big problem is not only how expensive it is to dismiss an employee, but

that until the agreement is reached, the real cost is unknown. Anyim, Mba and Ekwoaba (2012, p. 60) indicate that "Employees compensation in whatever form remains a cost to the business and affects the profitability of the organization". Consequently, even though salaries and labor benefits represent a normal cost for the organisations, the payments made to negotiate with the employee are costs not estimates by the companies and will affect its budget, making therefore the projection of costs related to labor relationships very complex for the management.

According to employers' representatives, the extension of the special bar against dismissals threatens the employment quality and affects the employers' competitiveness. As a consequence, companies are forced to be extremely precautionous when hiring personnel because the retirement process has become difficult and the labor costs has increased substantially.

Representatives of the employers' organization FEDECAMARAS have affirmed that from the beginning of the measure, companies are suffering performance deterioration where employers cannot dismiss less efficient employees and do not hire new personnel afraid of the effects of the measure. The Venezuelan Confederation of Industries (CONINDUSTRIA for its Spanish acronym) also stated its concern for the loss of competitiveness that employees are suffering and explained that expanding the range of protected employees does not help to create new jobs.

The measure causes pressure on the labor market, forcing employers to keep their employees regardless of their work performance. According to the foregoing, this situation affects the HRP because positions are being filled with the wrong people, and companies will have to take some measures to solve this problem (e.g. negotiate with these employees their retirement from the company which will increment cost or keep those employees and create new positions for them). However, organisations generally react by diminishing the employees' demand on the market so this type of measure discourages the creation of new jobs, at least in the public sector, which depends upon an optimal management of its resources.

In contrast with the thesis that states that with the promise of job security employees are willing to give cooperation, effort and loyalty in return, it can be argue that this security granted by the bar against dismissal discourages employees from being more productive and efficient since they

know that no matter what they do, the employer will rarely obtain an authorization to dismiss them and that if they are to leave the company, they would do it with the guarantee of a very attractive package.

The special bar against dismissal restricts employer's capability to dismiss employees even when there is just cause. Taken a step further, this measure seems to cause the adverse effect of discouraging employers from investment and creating new employment opportunities.

This situation affects any plan made by the HR department regarding the number of employees required in the organisation. Indeed, this special protection, in addition to the protection provided for in the Organic Labor Worker's Law, tends to induce organisations to hire the minimum required. Also, organisations would have to avoid hiring required employees because they cannot dismiss those whose do not comply with the requirements. This brings as a consequence that organisations must have to create double positions, which in turn, increases costs.

Regarding this issue, a study of the Indian labor market regulation can inform what is currently happening in Venezuela because it shows that pro-worker amendments are associated with lowered investment, employment, productivity and output in registered manufacturing.

In deciding whether to hire a worker, employers take into account the likelihood that a firing cost will be incurred in the future. In the Venezuelan case, the picture gets more complicated since the employer cannot even make a real estimate of the firing, which will probably depend on the success of a negotiation process with the employee.

Regulations restricting the possibility of employers to dismiss their employees "leads to two opposite effects on labor market dynamics: it reduces inflows into unemployment while also making it more difficult for jobseekers to enter employment". In this sense, Pilbean and Cordbridge (2009) indicate that:

“The level of unemployment affects labour mobility. High unemployment may make individuals more concerned for job security and fearful of the reduction in statutory employment protection when starting a new job. This influence job decisions and contribute to a more static labour market” (Pilbean and Cordbridge, 2010, p. 96).

Some authors affirm that those kinds of protections against dismissals protect those who have a job to the detriment to those who do not. In this case, employees that by the time the measure was enacted were protected were likely to keep their jobs or at least to receive an important compensation offered by the employer in exchange for their resignation. Meanwhile, the unemployed probably struggled to find an employer willing to hire them due to the uncertainty that could occur if they desire to terminate the employment relationship.

As we can observe, Venezuelan labor framework represents one of the major challenges when it comes to HRP.

2.4.1.3 Exchange control

The Law Against Illegal Foreign Exchange Transactions which is currently in effect in Venezuela (a regime also imposed since 2003 that has suffered several changes but that its main purpose has been held for a decade), contains certain provisions suggesting that: (i) the mere payment, offering or transfer and the mere receipt of foreign currency is an illegal foreign exchange transaction punishable under the Exchange Law; and (ii) the mere offering of services in foreign currency in Venezuela is also an offense under the Exchange Law which is punishable with a fine equivalent to double of the Bolivar amount of the offer.

Consequently, any payment in foreign currency that might qualified as an illicit according to the currently enforced law, would subject both the employer and the employee to the imposition of a fine equivalent to double the amount involved in the transaction or its equivalent in Bolivars (Venezuelan currency), and if the total amount paid in a given year exceeds US\$ 20,000.00 the employer (and/or its representatives responsible for the payment(s) particularly if the employer is a legal entity) and the employee could, in addition to the aforementioned fine, be sentenced to imprisonment from two to six years.

The above mentioned regulations make more difficult to manage the hiring of expatriates, since the compensation of this kind of employees is normally paid in foreign currency.

As a consequence, transfer or mobility of employees becomes a difficult task in Venezuela especially when compared to other countries of the region. In this sense, HR department must take this into account when planning and anticipating the needs of the organisation in terms of employees required. This is relevant, considering that there are some businesses that due to the particular specifications and requirements of its activities require expatriate personnel.

In accordance to Serafinceanu et *al.*(2010):

“Expatriate managers have management functions in daughter companies, thus providing technical, financial and management know-how transfer from the parent company to the daughter company. Subsequently, management know-how transferred to the daughter companies” level is acquired by the personnel recruited from the host country as well ...” (Serafinceanu et *al.*, 2010, p.316).

It is also important to consider given the high rates of brain drain in Venezuela because in order to keep said high skill personnel, compensation in foreign currency might be an upper hand against other companies both local and international.

As a consequence, this is a key factor for the MCNs that must be included when planning HR in Venezuela in order to be faced properly.

2.4.2 Socio-economic factors

2.4.2.1 Influence of social factors in recruitment

Recruitment is seen nowadays as an essential HR function. According to Sahoo, Dao and Sundaray (2011):

“Strategic recruitment avoids the risks and costly waste of time by locating and attracting the right potential candidates to the right job openings within an organisation and an effective recruitment system to satisfy the needs of candidates as well as the needs of the organisation” (Sahoo, Dao and Sundaray, 2011, p. 27) .

Notwithstanding the foregoing, recruiting the right people is not as easy as it can be in other countries. Due to the social problems currently faced in Venezuela (e.g. high levels of insecurity, inflation that practically nullifies the somehow competitive salaries, among others), skilled people prefer to migrate to other countries where better conditions are present. As a consequence, there is an enormous drain of talent in Venezuela.

According to Jackson and Schuler (1992):

“Changes in the work force are just one aspect of the environment stimulating the need for human resource planning. The demographic changes are somewhat predictable, but when they are considered in combination with changing technology (see Davis & Associates, 1986) and many of the other external changes described elsewhere in this issue (e.g., by Offermann & Gowing, pp.95-108), they pose significant challenges for human resource planning and contribute to its changing status during the past two decades”. (Jackson and Schuler, 1992, p. 224).

Organisations must be focused on having a good resourcing strategy, which will allow them not only to find the appropriate workforce with the skills, knowledge and qualities required but to retain them (which is another problem faced by organisations in Venezuela). According to Armstrong (2006, p. 371) “The selection and recruitment of workers best suited to meeting the needs of the organisation ought to form a core activity upon which most other HRM policies geared towards development and motivation could be built”.

It is advisable that organisations take into account the resourcing strategy as a part of the HR plan in order to avoid undesired hiring. In this regard, Sahoo, Das and Sundaray (2011, p. 27) say “Poor selection decisions will increase training time, labor turnover, absenteeism, accidents, industrial unrest and job dissatisfaction”.

2.4.2.2 Inflation

Inflation is known as the rise in prices or the fall in the value of the money. This means that every day, people receive less money and the prices of goods and services rise every day. It is a cyclical economic phenomena, in a globalized world inflation is not just driven by internal economic variables but also get influenced by common economic concerns like global oil prices, entry and exit barriers to economies, among others. The current inflation trend is cost push inflation, which is more driven by the rise in the cost of essentials goods and services. It even leads to rise in wages in excess of any gains in labor productivity, this leads to increase in unit costs of production and thus further spiraling prices.

Organizations look for ways to reduce cost and reduce redundant work force as the cost of services and managing a non-productive workforce goes up. Cost push inflation also leads to demand for higher wages to meet the growing expenses and the companies face dual challenge of managing external as well as internal cost push. This often leads to wage price spiral which means increase in wages will drive cost of goods and services.

This is exactly what happens in Venezuela and as a consequence salaries are not enough to fulfill the needs of the workers. In addition, trade unions may demand for higher wages as well as other work benefits at times of high inflation. If the claims are accepted by the employers, it may give rise to a wage-price spiral which might aggravate the inflation problem.

According to Xizhi and Medina (2013):

“Among the economic challenges facing Venezuela, the country with the largest oil reserves in the world, experts say the worst is sustained high inflation. Venezuela has registered a string of staggering inflation figures in recent years, with the number standing above 20 percent for six consecutive years since 2008. Despite the national government's positive forecasts for 2013, which predicts the inflation this year will

remain between 14 and 16 percent, experts believe that high inflation has become a structural problem in the country and cannot be easily solved” (Xizhi and Medina, 2013, p.1).

As it impacts in great scale the performance and costs of the company, inflation becomes very critical for the HR team to take the right decisions on: (i) Hiring the best talent to ensure that the value added is more than the cost; (ii) Improving productivity - Initiate ways to enhance productivity per employee, to have better retention programs to engage the high performers; and (iii) Review the compensation and benefits applicable.

Changes in economic scenario drive the compensation structure, since too much of market uncertainty would mean that variable and bonus component of employees needs to be aligned to marked realities.

Inflation affects the availability of workers and should figure into organizational and HR plans and objectives. A broad array of government regulations affects the labor supply and therefore HRP.

In a sum, after revising the abovementioned major challenges for HRP, it is clear that MNCs that operate in Venezuela must consider a wide variety of government policies, regulations, and laws that affect the labor, economic and socio-politic environment in order to achieve a successful planning in accordance to its global goals.

Chapter 3: Methodology

The main purpose of this research is to highlight the relevance that HRP still has within organizations and how it positively influences the achievement of the organization's goals. In this chapter we will explain the most appropriate methods of design, sample selection, data collection and analysis used in research regarding the topic. It will also describe the ethical considerations necessary to complete this research project.

3.1 Research Question

The research aims to gather important information about the main challenges faced nowadays by HR planners in Venezuela due to the influence of particular issues that are present in this country. The research question is:

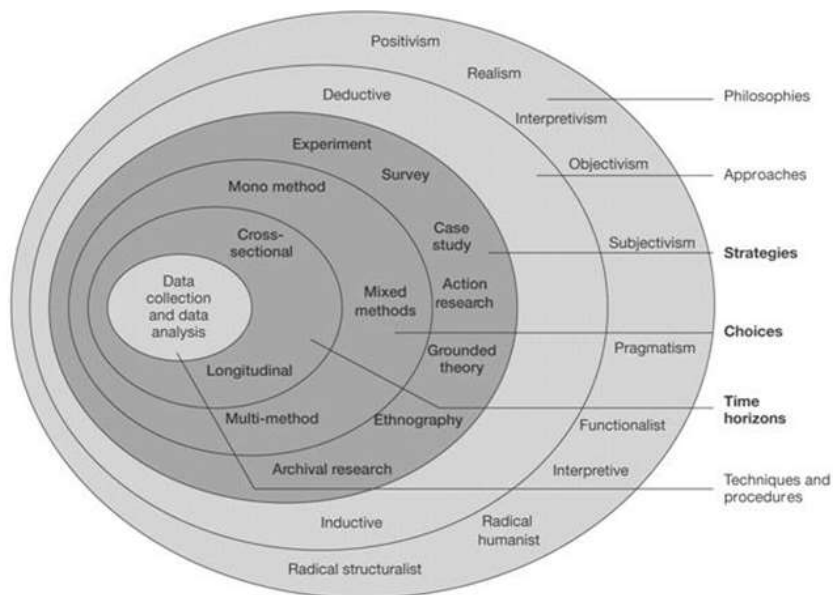
What are the main challenges faced by MNCs when planning Human Resources Planning in Venezuela?

The purpose of this question is to evaluate the main challenges faced by MNC's due to the influence of legal and social-economic factors that might affect the effectiveness of the role of HRP in MNCs that operate in Venezuela. Furthermore, the intention is to provide information on how companies overcome these issues in order to succeed in a complex country like Venezuela.

3.2 Proposed Methodology

The intention of this research is to analyze in depth those challenges faced by MCNs in Venezuela and the importance that HRP has in achieving the organization's goals, particularly in MNC's operating in Venezuela. For this reason, in conducting this research the interpretivism and subjectivist philosophy within an inductive approach using qualitative data through interviews (mono-method) was adopted. This paper will explain the reasons for each choice by using the research "onion".

Figure 1: The research „onion“



Source: Saunders, Lewis and Thornhill (2009, p.108)

3.2.1 Research Philosophy: According to this model, each layer is important in the process. This process starts with the research philosophy which, according to Saunders, Lewis and Thornhill (2009), “relates to the development of knowledge and the nature of that knowledge [...] The research philosophy you adopt contains important assumptions about the way in which you view the world” (Saunders, Lewis and Thornhill, 2009, p. 107).

In conducting this research, **interpretivism** was adopted because it believes in understanding human behavior rather than explaining it. Saunders, Lewis and Thornhill (2009) sustain that interpretivism:

“advocates that it is necessary for the researcher to understand the differences between humans in our role as social actors. This emphasizes the difference between conducting research among people rather than objects such as trucks and computers” (Saunders, Lewis and Thornhill, 2009, p. 1126).

Based on the foregoing, this philosophy is in accordance with the research conducted, providing a better understanding of the challenges faced when planning HR, highlighting its importance.

3.2.2. Research Approach: The following layer refers to the research approach. There are two main research approaches: inductive or deductive. The **inductive approach** was used because it adapts better to the research objective and has a more flexible structure than the deductive approach. Regarding this approach, Saunders, Lewis and Thornhill (2009) state:

“Research using induction is likely to be particularly concerned with the context in which such events were taking place. Therefore the study of a small sample of subjects might be more appropriate than a large number as with the deductive approach. As can be seen in Chapter 10, researchers in this tradition are more likely to work with qualitative data and to use a variety of methods to collect these data in order to establish different views of phenomena” (Saunders, Lewis and Thornhill, 2009, p.126).

3.2.3 Research Strategy: The third layer is the research strategy. In conducting this research the **Grounded Theory** was used. According to Saunders, Lewis and Thornhill (2009):

“A grounded theory strategy is, according to Goulding (2002), particularly helpful for research to predict and explain behavior, the emphasis being upon developing and building theory [...] data collection starts without the formation of an initial theoretical framework. Theory is developed from data generated by a series of observations,. These data lead to the generation o predictions which are then tested in further observations that may confirm, or otherwise, the predictions” (Saunders, Lewis and Thornhill, 2009, p. 149).

This strategy will be helpful in this research because it will discover by means of the interviews (analysis of data) which are the main challenges affecting HRP in Venezuela and how they are handled by the MNC“s that operate in Venezuela.

3.2.4 Research Choice:

A **mono-method** selection was considered appropriate in this research. In order to answer the research question, a HR Coordinator and two HR Managers in three MNC's located in Venezuela were interviewed. In-depth interviews were conducted with participants in the companies in order to find the qualitative data. The participants' experience and opinions were very important for the research.

Regarding in-depth interviews, Boyce and Neale (2006) sustain:

“In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation. The primary advantage of in-depth interviews is that they provide much more detailed information than what is available through other data collection methods, such as surveys [...] They also may provide a more relaxed atmosphere in which to collect information – people may feel more comfortable having a conversation with you about their program as opposed to completing a survey” (Boyce and Neale 2006), pp.2-3).

The interview format was semi-structured. There were predetermined questions with the purpose of receiving detailed answers. Thus, the interviews were opened to additional questions depending on the answers. The interviews were recorded.

Interviews were the appropriate tool, since a deep understanding about the main challenges faced by MNCs when planning HR and how they are faced by them in order to succeed was required.

3.2.5 Time Horizon. Cross sectional was applied in this research because there was a restricted time to complete the dissertation. Thus, the HRP will not be studied over a period of time. According to Saunders, Lewis and Thornhill (2009, p. 155), cross-sectional study is “the study of a particular phenomenon (or phenomena) at a particular time”. Therefore, the study is a “snapshot”.

3.2.6 Qualitative: The choice of method is **qualitative research** since this type of research enables doing investigating about HRP. According to Ponterotto (2005) Qual:

“refer to a broad class of empirical procedures designed to describe and interpret the experiences of research participants in a context-specific setting (Denzin & Lincoln,2000b). Qualitative findings are generally presented in everyday language and often incorporate participants’ own words to describe a psychological event, experience or phenomenon (Taylor & Bogdan, 1998). More specific defining characteristics of qualitative methods are dependent on the particular research paradigm undergirding a chosen inquiry approach”. (Ponterotto, 2905, p. 128).

In order to answer the research question, primary data was collected through in-depth interviews at MNCs. The purpose of this research is to explore the challenges that MCN companies currently face regarding HRP and the way they are assumed and faced by HR planners. Therefore, new data was collected for this purpose. However, secondary data such as articles and research papers also provided a useful source. Information about companies where interviews took place were collected from the organization’s website in order to be prepared for the interviews.

3.2.7 Non-probability Sample: Due to certain limitations such as time and budget, it was not possible to collect data from the entire population and therefore, it was necessary for the researcher to select a sample. The first step in sample selection was to define the population that would be involved in the sample. In this research, HRP in MNCs located in Venezuela was analyzed. In accordance with Sunders, Lewis and Thornhill (2009, p.233), there are different sampling techniques which can be divided into two groups: probability and non-probability sampling. Regarding non-probability samples, it is impossible to generalize on statistical grounds. Non-probability sampling was used in this research.

An HR Coordinator and two HR Managers were interviewed in three MNCs in Venezuela in order to understand the main challenges faced by them when planning HR and how they handled them. The three people were chosen due to their experience in the HR field.

Convenience sampling was also useful for this research in order to understand the challenges that exist in Venezuela in the HRP area, their influence and how they are handled in those companies. Literature criticizes this sampling by arguing that this choice can cause “biases to the sample, meaning that subsequent generalizations are likely to be at best flawed” (Saunders, Lewis and Thornhill, 2009, p.241). However, this research seeks to discover the main challenges faced by those companies when planning HR and how they handle them, and its intention is not to generalize them in all companies.

3.2.8 Operationalization

The purpose of this part is to define variables and concepts in our research. What is meant by certain statements and how are they measured? The operationalized variables below are based on our interview questions which can be found in the appendix.

This dissertation is about the main challenges faced by MNCs that operate in Venezuela when planning HR. The companies included in our research are MNCs which means that they have operations in several countries. The interviewees were a HR Coordinator and HR Managers working in MNCs in Venezuela. Through our interviews we asked the employees about their education, work experience, employment status, functions within the companies, HR processes and their opinions in the way HR plans must be conducted. By collecting “face sheet” information, we can see what are the challenges faced when planning HR in Venezuela and alternatives to face them.

3.3 Ethics. Bryman and Bell (2011, p. 122) sustain that “Ethical issues arise at a variety of stages in business and management research”.

The information obtained through interviews was used only for dissertation purposes and the policies of the MNCs are being respected. Participants were initially informed in detailed about the purpose of this research. By knowing in advance what was the information required, they voluntarily decided to participate. In this regard Bryman and Bell (2011) state that informed consent:

“means that prospective research participants should be given as much information as might be needed to make an informed decision about whether or not they wish to participate in a study. Covert observation transgresses that principle because participants are not given the opportunity to refuse to cooperate (Bryman and Bell, 2011, p. 133).

Furthermore, the participants’ right to privacy was respected during the entire research. Participants had the opportunity of refusing to answer any questions that they considered inappropriate or that they could not answer due to company policies. According to Bryman and Bell (2011, p. 136). “the right to privacy is a tenet that many of us hold clear, and transgressions of that right in the name of research are not regarded as acceptable”.

It was assured that participation was voluntary, that participants could withdraw at any time and that confidentiality has always been respected. Also, particular care is taken in not revealing confidential details of the companies, as requested by the interviewees.

3.4. Limitations: In conducting this research certain particular efforts were required. Time management was a limitation. Indeed, combining job and personal activities in order to have the time to contact HR employees and managers in the MNCs selected and interviewing them was a problem.

Also, some difficulties when doing the transcripts of the interviews were faced as some of the people interviewed only spoke Spanish and no English.

Besides, contacting and scheduling meetings with the HR managers was difficult since they were busy most of the time. Also, obtaining the information required was a difficult task since in general, HR personnel tend to protect the company's information.

During the research process other limitations were also encountered, such as difficulties in finding textbooks in English since the language spoken in Venezuela is Spanish. Furthermore, key contacts in companies (managers) were not in Venezuela most of the time.

In addition, personal bias interfered at the beginning with the process of interviews. For example, a first contact with unknown people was a limitation when conducting the personal interviews due to my tendency to be reserved at first sight. However, this was overcome successfully. Besides, I tried not to influence respondents during the interviews which I always do because of my background as a lawyer with knowledge and experience in the employment labor law which is very much linked to HR activities. But respondents were not influenced by me and they provided their answers freely and without any interference.

Finally, I was concerned that interpreting the data could also be a bias since lawyers tend to be closed to new concepts and open ideas. However, I had no problem in accepting different opinions and including them objectively as a result of the interviews.

Chapter 4. Data Analysis and Findings

In this chapter we present the findings of the research obtained through interviews conducted with representatives (a HR Coordinator and two HR Managers) of three different MNCs that operate in Venezuela. Moreover, an analysis drawn from the results of the interviews is included, which contributes to answer the research question and reach the conclusions of this this paper.

4.1 Data collection

The research topic determined the type of data necessary for the study. There are two sources of data, secondary and primary data. Secondary sources are data that has already been collected. Saunders, Lewis and Thornhill (2009, p.126.) distinguish three types of secondary data used in research; documentary, survey, and multiple sources. It is very common that researchers collect data from a variety of sources. Primary data is when new data is collect through observations or interviews.

Through conversation (interviews) was possible to obtain profound knowledge on a specific field. Through the interviews we had the opportunity to know the interviewees and their point of view. In addition, we were able to be part of the data collection process and have control over the responses in order to collect information for this research paper.

4.2 Sample

The focus in this dissertation was MNCs. Therefore, national companies were excluded in the study. The sample consists of a total of three HR employees with high positions within the MNCs. The MNCs differ from each other in industry, size, and number of employees.

4.3 Results from the interviews

Brief information about the specific MNCs consulted and the analysis of the interview performed to its representatives will be given bellow, and then the questions and answers of the interview will be separately presented for each company (see appendix). The questions were made on an

open-ended approach and under a ranking order. Interviews were conducted with participants in the MNCs to collect data and to develop understandings from patterns in the data. Each view of the participants is unique and valuable in order to response the research question.

Conversation is important to obtain profound knowledge on a specific field. Through conversations we had the opportunity to know the interviewees and their point of view. We also had the opportunity to be part of the data collection process having control over the responses in order to collect information for this research paper.

Since the purpose of this study is to explore the main challenges faced by MNCs when planning HR in Venezuela, only relevant information towards said purposed was discussed during the interviews.

4.3.1 Health Care Multinational Company

A HR Coordinator was interviewed in a Multinational Company of the Health Care market with a strong presence in fifteen countries and with more than sixty years of experience. It is a multi-specialty health care company with leading portfolios in eye care, neurosciences, medical dermatology, medical aesthetics, obesity intervention and urologics.

This company currently employs more than eight thousands workers worldwide and their products are sold in hundreds of countries. One of its main values is successful through the people, whose talent brings quality to the work and commitment.

(i) Background and work experience (Questions 1, 2 and 3)

Questions regarding background information were made with the purpose of being informed about the experience of the interviewee. It was noticed that the interviewee was aware and deeply involved with the HR processes followed by the company regardless of the short time the interviewee has been working for this company. Knowing the background of the interviewee in the HR field was useful since an in-depth interview was required for this study.

Moreover, functions developed by the HR Coordinator within the company such as direction of the process of recruitment and selection of the personnel, its training, and the supervisory of the compliance of policies and procedures of the company as well as the Collective Bargaining Agreement, are relevant for this study because such experience provide us with the information required to understand the problematic when planning HR in Venezuela.

(ii) Process of HRP (Question 11 and 12)

As a result of the interview, it was notice that this company have business partner for each area of business. There are some global projects imposed by the head office but mainly, the company is managed by regions. However, some decisions are taken locally due to the reality and characteristics of Venezuela.

It was explained that planning is made regionally but must be adjusted due to special conditions of each country. Interviewee provided us with an example, where was explained that due to global policies, the increases of salaries due to inflation are made regionally in February, but in the case of Venezuela they were changed to July in order to comply with the provisions of the Collective Bargaining Agreement applicable in Venezuela for this company.

In addition, we were advised that HR processes in this company are all made at the same time and following global formats that must be completed, keeping and ensuring the guidelines.

(iii) Main challenges faced by the company when planning HR in Venezuela (Questions 16 and 17)

According to the interviewee, two main challenges were identified. First challenge is referred to salary raises and inflation percentages, which in the case of Venezuela, in words of the interviewee, has become more of a “guessing process”. Second challenge referred was that finding the right employee required for a position has become a very complex task since the labor regulations do not allow mistakes due to the economic consequences.

(iv) Facing the challenges (Question 18)

Having in mind the challenges exposed by the interviewee, it was said that this company has to take positions that perhaps differ from those that they had originally planned, leading them to not hiring more people in the team and change employees benefits policies which affect the sales and prices of their products.

The interviewee explained that even though planning is made on annual basis, in the particular case of Venezuela, plans have to be reviewed at least twice a year or when is needed it.

Also, it was said during the interview that recruitment in Venezuela is “unique”. This company only hire when is absolutely necessary (e.g. fill vacancies) and all the hiring is made with “legal assistance in order to draft documents that protect the company as much as possible”.

(v) Relevance of HRP in Venezuela (Questions 21 and 22)

The interviewee commented that Venezuela is a particular case that needs special attention since things change every day as a consequence of political decisions. For the interviewee, Venezuela is the most difficult country to be managed since it is “complicated not just to estimate the number of employees need it but to find the right people”.

The interviewee referred to the “employees” protection” in force in Venezuela, explaining that some positions “are occupied by the wrong people and it is really hard to take them out in order to hire new employees”.

Notwithstanding the foregoing, interviewee thinks that not planning HR would add more uncertainty to this already uncertain country. Thus, it is consider that planning is still important although updating and adapting will be required.

4.3.2 Mass Consumption Multinational Company

This is the second biggest global food and beverage company present worldwide. It currently employs more than seventy thousand workers worldwide and their products are sold everywhere.

(i) Background and work experience (Questions 1 and 2)

The questions were intended to collect background information about the interviewee. It was noticed that the respondent has a very good experience within the HR field with nine years of experience (working in different companies of diverse markets). The interviewee had a really good knowledge of processes followed by the company when conducting HR. Understanding the background of the respondent was helpful because an in-depth interview was being conducted.

Furthermore, being responsible for different sub systems of HR such as personnel administration, its recruitment, union management and budget administration provided us with a better understanding of the HR process in this successful Mass Consumption company.

(ii) Process of HRP (Questions 8, 10 and 11)

According to the respondent, planning process in this company is made on annual basis and is adjusted when is required. It was said that as part of their HR process, they evaluate the personnel required, estimate the labor cost (having in mind the competitors in order to compare the compensation package's offered to the company's employees), set training plans, among others.

The interviewee explained that political and social environment in Venezuela makes planning different from other countries where this company operates. He also stated that HR planning has to be made according to the Venezuelan labor regulations since they are very strict and non-compliance with legal framework may bring devastating consequences for the company (even criminal penalties).

(iii) Main challenges faced by the company when planning HR in Venezuela (Questions 16 and 17)

In the participant's opinion, the main challenges faced by the company are those referred to the Venezuelan political and social environment, and the labor anarchy as a consequence of extremely protectionist labor legislation and inflation.

According to the interviewee, those factors affect significantly the HRP since it is conducted in accordance with the labor legislation. Indeed, as a consequence of those external factors, additional costs for the company are generated. In effect, due to the special bar against dismissal, an authorization from the Labor Inspector's Office is required to dismiss employees, which in practice is almost impossible to get because it takes a lot of time. Instead, she informed that companies rather to pay high amounts to negotiate the retirement of those not wanted employees

Additionally, inflation rate was considered by the participant as a main challenge. It is known that Venezuela has the highest inflation in Latin America and is one of the highest in the world. Consequently, high inflation affects HRP since salaries must be adjusted constantly as a measure to retain the desired employees.

In the interviewee's opinion, is difficult not only to find the right people in Venezuela but also to retain talent due to a high rate of brain drain. Therefore, compensation packages are really expensive.

(iv) Facing the challenges (Questions 18 and 19)

Interviewee explained that planning in this company is based on objectives and an annual budget. Thus, objectives are set in order to understand the requirements of the company, and then budgets are prepared to make an accurate resources administration's plan. Labor cost (salaries and labor benefits) are estimated considering compensation packages offered by the competitors and training plans are prepared. Finally, we were informed that this company is always aware of the labor regulations in order to comply with them accurately.

(v) Relevance of HRP in Venezuela (Questions 22 and 23)

The participant considers that HRP is important in Venezuela even though plans may suffer changes or adjustments during the time. It was explained that planning is needed to understand “where are we going and the path to be followed”. In interviewee’s opinion, good planning will help to identify the objectives of the company, the obstacles to be faced and the action plan (or ways) to achieve the company’s goals.

4.3.3 Cosmetic Multinational Company

A HR Manager was interviewed in a Cosmetic Multinational Company. This Multinational Company has forty years of experience in the manufacturing and sale of beauty products. It is the ninth largest beauty direct selling company in America, the tenth largest beauty company in America and the third largest beauty company in South America.

(i) Background and work experience (Questions 1, 2 and 3)

These questions were directed to be informed about the background of the interviewee. The vast experience of the interviewee in this area is extremely valuable for this research study. Indeed, this Manager has twenty two years of experience in the different sub systems of HR such as Human and Talent Management, Selection, Compensation and Benefits, Training and Development, Welfare and Corporate Communications. Having many responsibilities within this company such as planning, coordinating, managing and controlling the implementation and execution of the plans and policies of HR, revealed us how the HR process is managed within this company and its particularities in the case of Venezuela. Understanding the background of the respondent was helpful because an in-depth interview was being conducted.

(ii) Process of HRP (Questions 7, 8, 9 and 10)

During the interview it was widely explained how the HR process is performed in this company. The interviewee explained that HRP is a standardized process and applies for each country under the same methodology. Nevertheless, HR process can be adjusted depending on the particularities of the country (especially those referred to compliance of labor regulations).

The process followed by the company can be summarized as follows:

- a) The Business plan established for each country is known.
- b) Medium and long term challenges of the business and how they impact in the designing of the Talent Strategy are analyzed. The short term challenges of the business are identified with the objectives of the Performance Management System of each Vice Presidency or the General Management,
- c) Then strategies and actions (such as performance, capabilities, culture and structure) that may help in the achievement of the objectives are aligned.
- d) Finally, the “talent inventory” which is the main output to design the talent strategy that allows the business to achieve the results is made. The analysis will consider the following: (i) Identifying the gaps regarding talent, capabilities, culture and structure to achieve the goals of the business; and (ii) Defining specific actions to fill in the talent gaps.

(iii) Main challenges faced by the company when planning HR in Venezuela (Questions 13 and 14)

In the interviewee’s opinion, the main challenges faced by this company when planning HR in Venezuela are the following: (a) Recruiting talent that meets the profiles required to strategic positions within the company. We were informed that they have several problems to attract the desired profiles along with the combination of talent with values, especially in the Operations Plant located outside Caracas (capital of Venezuela); and (b) Retaining talent and deal with a strict Labor legislation with a special bar against dismissal that makes more difficult to have the right rotation.

(iv) Facing the challenges (Questions 15 and 18)

The Manager interviewed told us that it is hard to generate the desired rotations with so little possibility of justified retirements. They are forced to deal with an annual Budget that must be monitor constantly due to the high cost of the termination benefits payments.

According to the requirements established for the year in terms of talent planning, they set the priorities and perform searches at different levels. When allowed the company relies on certain cases involving contracts for a stated period of time. The company eliminated the possibility of hiring third parties in order to comply with the new labor regulations on this matter. Consequently, the company had to assume more costs associate with the activities performed by third parties and include the profiles required to fill in those activities.

Regarding the brain drain faced in Venezuela, the company offers attractive compensation packages (by comparing compensation packages and also evaluates the inflation) with the purpose of attracting and retaining the right people to fulfill the key position within the company. It was indicated that normally, key people are working for the competition so the company makes efforts to offer not only an excellent compensation package but also a challenging career path. If the correct people are not found nationally then the position must be cover by an expatriate but in said case, previous consulting with the head office is required (respecting the limits to hire foreign people in accordance with the Venezuelan labor law).

(v) Relevance of HRP in Venezuela (Question 19)

The interviewee considers that HRP in Venezuela is still important. However, due to the political and social scheme present in this country, HR planners have been forced to be creative, adaptive to change, to look for alternatives, to always be prepared.

According to the participant, Venezuela is constantly changing so HRP should always be aimed at meeting the needs of business, but always in the hands of adaptability, budget and creativity of the people who carry this area. It is necessary to have legal assistance in order to find the best options to cope with the challenges of new laws, raise of salaries and special protection against

dismissal of employees. Under said conditions planning is hard but it is possible given that you handle a high level of tolerance towards changes.

4.3 Analysis of Interviews

Participants were chosen because of their experience in the HR field (a HR Coordinator and two HR Managers), and it can be affirm that they demonstrated a deep knowledge and understanding of the HR process during the interviews. Several elements were analyzed while the interviews were conducted, such as: self confidence, attitude, gestures and other aspects such as whether they were logical and pragmatic people. All those factors lead us to conclude that, towards the planning process, the interviewees not only analyze the problems that are presented to their respective company, but also work on their solution with the input of different levels of management, which provided us with the big picture of the problem faced in the HR field by MCNs operating in Venezuela.

Through the interviews, it was possible for us to understand the main challenges faced by companies when planning HR in this country. Even though there are many challenges, and bearing in mind that personnel interviewed works in MNCs that operate in different sector/industries, we observed a common denominator in their responses. External factors such as social, political, economic and legal changes currently present in Venezuela have a strong influence on the way the business is conducted and therefore, in the way its HR planning has to be made.

As expected, we found that some factors have more influence than other in the planning process depending on the company's main business activities. For example, depending on the sector or industry where the company operates, benefits provided for in the Collective Bargaining Agreement of that sector or industry must be applied mandatorily. Thus, worker's benefits must be adjusted which implies that benefits granted in other jurisdictions, or even other industries, will be different. Furthermore, how profitable the company is will allow it to face high labor costs (due to the inflation and extra payments that must be done in order to negotiate retirements when required).

On the other hand, smaller companies will face these issues differently and consequently the planning will be different as well. Moreover, we learned that global policies must be adapted to the particular needs of the country. However, how easy or difficult the adaptation will be relies on how flexible or strict these global policies are.

As a result of the interviews conducted, we conclude that PESTEL framework, which is a common tool used by companies to understand external factors that might affect or influence the business, becomes a more relevant tool in MNCs that operate in Venezuela than in other countries. Indeed, although PESTEL is one of the tools frequently used by companies everywhere, it seems that in Venezuela it is essential due to the external factor widely explained during this research paper.

The interview process was highly enlightening since it provided us with the knowledge required to answer the research question.

Chapter 5. Conclusions

The primal object of this research paper is to explore the main challenges faced by MNCs when planning HR in Venezuela and evaluate whether HRP can still be considered of relevance within MNCs in this country.

Since the purpose of HRP is to ensure that the right people are in the right place at the right time, a strategy must be prepared and linked with the plans of the total organization. The planning process is necessarily bound to the particular needs and main strategies of the company, thus, it can be said that planning is the product of the interaction between line management and the planners.

Nowadays, HR planners have a strong influence in the conduction of the business and new responsibilities and challenges must be faced. Contemporary HRP involves forecasting the companies' future, HR needs and planning for how those needs will be met. It includes establishing objectives as well as developing and implementing programs to ensure that right people with the right skills work for the company, when and where they are needed.

In order to do so, HRP should involve the development and implementation of programs to improve employee performance and increase motivation, which will be valuable for the company. Likewise, HRP should include gathering data in order to evaluate the effectiveness of ongoing programs and inform planners when revisions in their forecasts and programs are needed.

During the research process and considering the results of the interviews made and the secondary data reviewed, it is possible for us to conclude that (at least in the companies where the interviews were conducted), external factors were the main challenges faced by MNCs when operating in Venezuela. Indeed, those factors imply that consequently, those companies have to deal with the strange reality that finding the required personnel is almost impossible and, that,

when the personnel is found, a good work of planning and management must be done in order to keep them on their payroll.

As can be observed throughout this research paper, all the external factors mentioned are interconnected. For example, social and economic aspects, such as high levels of insecurity and inflation bring as a consequence the drain of talent. Additionally, legal restrictions enforced in Venezuela (widely explained along this research paper) make personnel rotation a complex task. Likewise, due to those legal restrictions, labor costs tend to increase enormously.

It is concluded that due to the existence of those particular challenges, global policies and practices should be adapted in order to fulfill the reality of Venezuela. The integration of HR issues in strategic decision-making may need to be considered as a local, rather than a global, corporate level activity in an unstable country like Venezuela.

As a result of this study, it can be argued that in the particular case of MCNs operating in Venezuela, organisations tend to adopt a local approach, with headquarters involvement in many cases limited to monitoring the financial implications of HR decisions. Indeed, as referred above, local environment may demand adherence to specific laws, regulations and customs, and it should be noted that such factors usually require the adaptation of global HR policies to the particular local situation.

Based on the abovementioned findings, we can affirm that even though planning plays an important role for MNCs, the skill of improvising and being flexible with said planning has an important role in particular environments lacking certainty, such as the ones currently present in Venezuela. Indeed, in order to be capable to adapt to the continuous changes on said external factors, HR Management must establish priorities to help achieve business goals and measuring, monitoring and reporting on progress. All these planning measures are paramount since, as we have shown through the experiences revised in the present paper, keeping the HR personnel of a MCN with qualified employees in place to carry out its functions under complex jurisdictions as Venezuela can sometimes be challenging but is necessary to ensure business continuity. In

conclusion, increasing environmental instability, have changed the needs for and the essence of HRP within MNCs.

Chapter 6. Self-Reflection on own learning & performance

6.1 Introduction

In this section a personal reflection will be done regarding the development as student and professional during the MBA program. In doing this, a reference to my personality and experience as a student (and also as a professional) will be included to finally address the skills acquired during the learning process. Lastly, there will be a reference regarding the professional future and plan.

6.2 Personality and experience

Personality has a significant influence in the way people assume learning and responsibilities. Besides, personal and professional experience helps people to shape the personality. I consider myself as a very realistic person with good skills to organize and supervise other people. My experience as a professional has helped me to identify more easily the problems and facing changes in a fast way which is good for me considering the country where I live (Venezuela).

6.3 Learning process

From the beginning I started the process of learning through planning. During the second semester I worked on the dissertation proposal which started with the identification of the research topic and objectives. Choosing the research topic was really important to me since I knew I had to return to my country once I finished the exams. Therefore, I needed to look for an interesting topic that I can handle and research in Venezuela.

Later, I started looking for the sources of the primary and secondary research and planning how to manage job responsibilities while working with the research. Once the supervisor was appointed by DBS, I took in consideration his advices specifically regarding the topic and the research questions since he suggested that the topic was too broad. Then, I decided to change the approach of the research without changing its essence since it was my wish to write it on HR. Having planned the work, I started writing the dissertation.

The self-reflection during the dissertation helped me to think and analyzed deeply about the research topic which motivated me as a professional since it is my wish to start working in the HR field which is linked to my career as a lawyer, since I have been working as a specialist in the Labor Law field for many years. This process allowed me to understand where I was when I started the MBA program and what I have learnt during the MBA as well as recognizing the skills developed which will help me in my career path.

6.4 Skills identified and acquired during the learning process

I developed several skills during the MBA such as oral presentation, time management, discipline and teamwork due to the assignments required in each subject. In addition, during the dissertation process I improved others skills. For example, as a legal advisor I normally had to interview and interrogate people. However, the type of interview required to obtain information for the dissertation was a new experience for me. Now, I am more polite when interviewing someone since I understood that this is the way to do it in order to get the responses from the people. Creating the righth environment allowed me to connect easily with the interviewees so they did not feel pressure during the sessions. I learnt this tool during the research methodology class during the second semester of the MBA at DBS. Also, I have improved my analytical skills since the research topic is different from what I normally do as a legal advisor. Indeed, a Master in Business is a new world to me since I have been working as a lawyer since I finished my legal studies at College (ten years). This helped me to be more discipline in order to understand and comply with the assignments and analyze subject in depth.

This experience has allowed me to gain more confidence as a professional since now I am aware of my skills which definitely will help in my career path. Besides, I have acquired a deep knowledge in the Business field which I hope help me to develop my career toward this field. The skills learnt and developed during the MBA program will complement me as professional. Indeed, knowledge and skills in business will lead me to be an integral professional because it will be good to combine legal and business knowledge. I hope that this combination allow me in the future to get a good job in the HR field where I will put into practice both legal and business knowledge.

In accordance with Honey & Mumford (1992) “the four stages of learning; experiencing, reviewing, concluding and planning are mutually supportive and no one stage is fully effective as a learning procedure on its own”. Identifying the learning stages allowed me to determine the preferences for learning. Besides, it helped me to know in which part of the learning cycle I was weak and therefore, where develop was needed in order to become a more effective learner.

6.5 My learning style preference

There are four learning styles are Activists, Reflectors, Theorists and Pragmatists. After analyzed the learning styles I consider myself as a Theorist. I am a very logical person who analyzes step-by-step approaches. I am also a perfectionist (perfectionism in some cases can lead to be inefficient, so I have to take care of this). Besides, it is normal for me to ask: Does it make sense?

The main reason to study the MBA was to gain knowledge in the business field and experiment a new culture surrounded by professionals from all over the world. I was sure that this experience would provide me with a great experience not only as a professional but also as a person. Because of this I am now an integral professional, since I was able to identify my weaknesses (and now I can improve them) and understood the importance of being more discipline and proactive in order to achieve my goals. Reflecting about the learning process of the MBA, I realized that I became more confident as the course progressed, defending my points of view strongly and being more participative during class. As a professional, I used to be in a comfort zone since I have been working as a legal advisor for more than ten years. However, studying the MBA helped me to become more activist, open-minded in favor of brainstorming (where I was an active participant) and team problem-solving. Also, it helped me to understand not only different ways of thinking but also to respect them and considering.

6.6 How can I continue to become a more effective learner?

The self-reflection helps not only to be aware of current skills but to identify areas to be developed during the professional career. From my point of view, I need to be a better observer, improve as a listener and evaluate more in depth before take decisions. Thus, I will concentrate on this because this is an area which needs further development. In order to improve those

weaknesses I will pay more attention to people's advices and opinions, and I will have to develop the patience since I normally take decisions hurriedly.

6.7 Conclusions

As a result of my self-reflection process I identified not only my weaknesses as a professional but the skills developed during the MBA. The foregoing will help me to improve those areas that need attention (such as become a good listener) and be aware of my skills (teamwork).

The self-reflection benefits me because I was not aware of any of the abovementioned issues. From now on, I will be always paying attention to my performance in order to determine the areas where I need to work on in order develop the attributes required to achieve my professional goals. I understood how helpful the self-evaluation is. Before, I was not open to constructive criticism; now, I listen, evaluate and taking into account the advices. Facing obstacles during the MBA program such a language, lack of knowledge in the business field and deal with a different culture made me a mature person.

There are many issues that need to be solved. However, as a result of this experience I am aware of that and I count on with the appropriate tools to identify the weaknesses and work on them.

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Appendix: One to One Interview Questions and Responses Received

Interview transcript

Interview 1

Interviewer: Tabayre Ríos Gaudens (Student)

Interviewee: Human Resources (HR) Coordinator at Health Care Multinational Company.

Interview Setting: Conducted in the office of HR Coordinator at 2:00 p.m. on April 2, 2013.

Affiliation with Interviewee: Commercial Relationship (the interviewee is a representative of a client of the Law Firm where the interviewer works).

1. Interviewer: Can you please tell us how long have you been working in HR?

Interviewee: I have almost 8 years working in HR.

2. Interviewer: For how long have you been working in your current position in this company?

Interviewee: I have 2 years and 3 months working for this company as a HR Coordinator.

3. Interviewer: Could you please describe us the functions of your position?

Interviewee: A HR Coordinator has many tasks and goals to fulfill. Among the main managing activities of my position, I have to direct the process of recruitment and selection of the personnel, its training, and the supervisory of the compliance of policies and procedures of the company as well as the Collective Bargaining Agreement where applicable. Also, I collaborate with the Human Resources Planning (HRP) for the branches operative in the region.

4. Interviewer: In how many countries does this company operate?

Interviewee: Well, this company has presence in fifteen countries.

5. Interviewer: How is this company organized globally?

Interviewee: It is organized by regions.

6. Interviewer: Can you please explain the structure of the HR Department of this company?

Interviewee: It is pyramidal structure, starting with the Vice President (VP) in HR, then we have a Director, followed by the HR Coordinator (my current position) and finally we have analysts.

7. Interviewer: Globally speaking, does the company maintain the same structure and positions or does it change depending on the characteristics of each country?

Interviewee: We have the same positions, but we have the Executive Vice President (EVP) which is only one and is the head office.

8. Interviewer: Would you please inform us about the HR Department interaction with other business units or areas?

Interviewee: We have business partner for each area of business. That business partner is regional but locally we have the coordinator who manages the local themes.

9. Interviewer: The decisions taken by the HR Department in your location are autonomous? Or do they depend on other business units? or are they imposed directly by the head office?

Interviewee: It depends on which kind of decision is going to be taken. There are decisions that are taken locally, because the reality and characteristics of the country requires doing so. In this case, it is allowed to take decisions locally. There are decisions that are taken regionally, and are accepted and applied locally. And finally, there are some global projects imposed by the head office.

10. Interviewer: Consequently, could you give us some examples of decisions taken locally, regionally and globally?

Interviewee: Sure. Locally, salaries rise because depend on Collective Bargaining Agreement. Regionally, recruitment process. Globally, corporate decisions.

11. Interviewer: Does the process of the HRP is standardized in all the countries where the company operates? Or is it adapted to each country depending on particular needs?

Interviewee: The planning is made regionally. However, if this planning must be adjusted due to special conditions of each country, an analysis is made and therefore, the corresponding adjustments take place. For example, due to global policies, the increases of salaries due to inflation are made regionally in February, but in the case of Venezuela they were changed to July which is the month provided for in the Collective Bargaining Agreement that regulates the legal conditions of the company's employees.

12. Interviewer: May you please further indicate us the process of HRP in this company, and specifically in Venezuela?

Interviewee: The planning is made annually at the regional level and then said plans are distributed and discussed to the countries and the corresponding adjustments are made, only when is strictly necessary. In the case of Venezuela, planning is subject to the Collective Bargaining Agreement.

13. Interviewer: According to your knowledge, does the HRP performed by the management in Venezuela differ from other countries?

Interviewee: Yes, it is different. For example, as I previously told you, the specific case of the raise of the salaries is made in a different date.

14. Interviewer: Would you please explain how are expatriates personnel managed in this company? Please specify any global policy for expatriates.

Interviewee: We do not manage expatriates.

15. Interviewer: Does the company apply global policies or strategies in the HRP? If so, please explain them to us.

Interviewee: Processes are all made at the same time and following the same formats that must be completed, keeping and ensuring the guidelines. The format is Global, because it have to be approved by the Region and then by the Headquarter.

16. Interviewer: Based in your experience, which are the main challenges faced by the company when planning HR in Venezuela?

Interviewee: In our case the main challenges are presented by the issue of salary raises and inflation percentages, which do not follow a parameter country but that, in the case of Venezuela, has become more of a guessing process. Also, trying to find the correct employee for a position has become a nightmare since the labor regulations do not allow us to make mistakes because it can be very expensive for us.

17. Interviewer: In your opinion, how external factors affect or influence the HRP in Venezuela?

Interviewee: External factors have made us take positions that perhaps differ from those that we had originally planned, leading us to for example not hiring more people in the team, change employees benefits policies, changes in the sale and prices of our products.

18. Interviewer: How does the company locally perform the search, selection and recruitment of personnel? For example, which parameters does the company follows when hiring staff, taking into account that in Venezuela there is a regime imposed by the government in order to ensure absolute job security and stability, and that currently it is not possible to hire staff through intermediary firms. Do they differ from those parameters used in other countries?

Interviewee: Recruitment in Venezuela is unique; completely different from the other countries in the region. We hire only when absolutely necessary, for example to fill vacancies. All the hiring is made with legal assistance in order to draft documents that protect the company as much as possible.

19. Interviewer: How does the company perform the HRP taking into account the external factors faced by the country?

Interviewee: The planning is made on annual basis. However, in the particular case of Venezuela, we have to review the plan at least twice a year or when is needed it.

20. Interviewer: Does the company transfer local employees to companies in other jurisdictions or vice versa? If so, how is it planned?

Interviewee: Is not common in the company. When high skilled employees are required, they are transfer to work on said specifics projects.

21. Interviewer: Do you consider that planning is still important even though we live in a country with economic, politics, social changes? Please explain your answer.

Interviewee: Based on my experience I think is still important. We already live with enough uncertainty to add another one. Planning is necessary even though we have to update and adapt it.

22. Interviewer: Do you wish to add any comment, idea or suggestion?

Interviewee: Venezuela is a special case that we have to manage really carefully. Things change every day depending on political decisions that affect the normal way of business. I am in charge of 5 countries of the region (South America and Mexico), and I have to say that Venezuela is the most difficult to manage. It is complicated not just to estimate the number of employees need it but to find the right people. Besides, since almost all the employees are

protected, some positions are occupied by the wrong people and it is really hard to take them out in order to hire new employees.

Interviewer: Many thanks for your time and cooperation during this interview.

Interviewee: You are welcome.

Interview transcript

Interview 2

Interviewer: Tabayre Ríos Gaudens (Student)

Interviewee: Human Resources (HR) Manager at Mass Consumption Multinational Company.

Interview Setting: Conducted in the office of HR Manager at 2:00 p.m. on April 9, 2013.

Affiliation with Interviewee: Commercial Relationship (the interviewee is a representative of a client of the Law Firm where the Interviewer works).

1. Interviewer: Can you please tell us how long have you been working in HR?

Interviewee: My experience in HR is around 9 years in different companies and/or sectors, (such as massive consumption, automotive and manufactures).

2. Interviewer: For how long have you been working in this company?

Interviewee: I have been working for this company 4 years and 6 months.

3. Interviewer: Could you please describe us the functions of your position?

Interviewee: I am responsible for different sub systems of HR (Personnel administration, its recruitment, union management, budget administration) specifically in the sales area of this mass multinational consumption company.

4. Interviewer: In how many countries does this company operate?

Interviewee: This company has presence worldwide. It is the second biggest company in the food sector worldwide.

5. Interviewer: How is this company organized globally?

Interviewee: It is organized by regions.

6. Interviewer: Can you please explain the structure of the HR Department of this company?

Interviewee: This department is composed by a HR Director and four Regional Managers (benefits and compensation, recruitment, training and National HR). Also, there are three HR Managers that support respectively one operation (respectively Plant 1/ Plant 2/ Sales). These three Managers work with a team of coordinators, specialists and analysts in accordance with the number of employees that render services for the company.

7. Interviewer: Globally speaking, does the company maintain the same positions or do they change depending on the characteristics of each country?

Interviewee: They change according to the specific characteristics and dynamic of each country.

8. Interviewer: Would you please inform us about the HR Department interaction with other business units or areas?

Interviewee: The HR department is related to the different business units since they work with staff, and it is our responsibility to ensure the excellent management of said staff, ensuring optimal conditions to develop the work.

9. Interviewer: The decisions taken by the HR Department in your location are autonomous? Or do they depend on other business units? or are they imposed directly by the head office?

Interviewee: There is a mix of decisions. Depending on the scope and impact on operations, the decisions will escalate.

10. Interviewer: Does the process of the HRP is standardized in all the countries where the company operates? Or is it adapted to each country depending on particular needs?

Interviewee: The process must be adapted depending on particular needs of each country.

11. Interviewer: May you please further indicate us the process of HRP in this company, and specifically in Venezuela?

Interviewee: The planning process is adjusted to the operations' needs and based on an annual budget. Once the company has determined the objectives, we evaluate the needs, in terms of employees require to meet the objectives then we estimate the cost (salaries), keeping in mind the market in order to understand the competitive compensation packages, training plans, among others.

12. Interviewer: According to your knowledge, does the HRP performed by the management in Venezuela differ from other countries?

Interviewee: The political and social environment in Venezuela makes planning different from other countries. This planning is made in accordance with the labor regulations enforced in Venezuela, which are very strict.

13. Interviewer: From your experience, may you please indicate us if the process is similar in the companies that you have worked before?

Interviewee: Yes, it is very similar. They always set the objectives in order to understand the needs of the company, and then budgets are prepared in order to make an accurate resources administration's plan.

14. Interviewer: Would you please explain how are expatriates personnel managed in this company? Please specify any global policy for expatriates.

Interviewee: There is a global policy but I do not manage this information.

15. Interviewer: Does the company apply global policies or strategies in the HRP? If so, please explain them to us.

Interviewee: There are global policies. However, as I explained before, in Venezuela they have to be adjusted.

16. Interviewer: Based in your experience, which are the main challenges faced by the company when planning HR in Venezuela?

Interviewee: In my opinion, the main challenges are: (i) Political and social environment; (ii) Labor anarchy; (iii) Labor legislation and legal restrictions; and (iv) Inflation.

17. Interviewer: In your opinion, how external factors affect or influence the HRP in Venezuela?

Interviewee: They affect significantly because planning is made in accordance with the labor legislation. However, when those external factors are present, they generate additional costs to the company. For example, due to the special bar against dismissal, companies cannot dismiss employees without the authorization from the Labor Inspector's Office, which takes a lot of time. Therefore, companies have to negotiate the retirement of the employees which implies the payment of extra salaries, benefits and indemnities.

18. Interviewer: How does the company locally perform the search, selection and recruitment of personnel? For example, which parameters does the company follows when hiring staff, taking into account that in Venezuela there is a regime imposed by the government in order to ensure absolute job security and stability, and that currently it is not possible to hire staff through intermediary firms. Do they differ from those parameters used in other countries?

Interviewee: The company has a guideline to recruit people. However, finding people in Venezuela, even though is not logical, is difficult. Also, it is difficult to retain talent due to a high rate of brain drain. Nowadays, retain talent in Venezuela is extremely difficult and therefore compensation packages are really expensive. In addition, companies not only have to develop career plans and grant competitive benefits but also they have to assume risks when hiring people since it is almost impossible to dismiss them (even though it can be justify). This situation forces the company to innovate every day to reach the objectives.

19. Interviewer: How does the company perform the HRP taking into account the external factors faced by the country?

Interviewee: Planning is based on objectives and an annual budget.

20. Interviewer: Does the company transfer local employees to companies in other jurisdictions or vice versa? If so, how is it planned?

Interviewee: Some of the global policies are applied but must be adjusted to the particular case of Venezuela.

21. Interviewer: Does the company transfer local employees to other countries or vice versa? How does the company plan the mobility of employees?

Interviewee: Yes, we transfer local employees to other countries under the figure of "expatriates", depending on the needs and availability.

22. Interviewer: Do you consider that planning is still important even though we live in a country with economic, politics, social changes? Please explain your answer.

Interviewee: Yes, it is important. Although the plan may suffer changes or adjustments during the time, planning is needed to understand where are we going and the path to be followed.

23. Interviewer: Do you wish to add any comment, idea or suggestion?

Interviewee: Venezuela is a country affected by a political and social environment that has been wrongly handled. However, even when said situation affects the management of the companies,

the good planning will allow the identification of the objectives and obstacles that must be overcome to meet the goals and find the ways to achieve them.

Interviewer: Many thanks for your time and cooperation during this interview.

Interviewee: Anytime!

Interview transcript

Interview 3

Interviewer: Tabayre Ríos Gaudens (Student)

Interviewee: Human Resources (HR) Manager at Cosmetic Multinational Company.

Interview Setting: Conducted in the office of HR Manager at 2:00 p.m. on April 16, 2013.

Affiliation with Interviewee: Commercial Relationship (the interviewee is a representative of a client of the Law Firm where the interviewer works).

1. Interviewer: Can you please tell us how long have you been working in HR?

Interviewee: I have twenty two years of experience in the different sub systems of HR such as Human and Talent Management, Selection, Compensation and Benefits, Training and Development, Welfare and Corporate Communications.

2. Interviewer: For how long have you been working in this company?

Interviewee: Eight years.

3. Interviewer: Could you please describe us the functions of your position?

Interviewee: Planning, coordinating, managing and controlling the implementation and execution of the plans and policies of HR, with the purpose of providing and maintaining the human talent required and meet the goals established for the area, following the guidelines of the Vice President of Human Resource Management of the corporation and the Department of Operations and Administration in Venezuela.

4. Interviewer: In how many countries does this company operates?

Interviewee: This company operates in Peru, Colombia, Chile, Mexico, Venezuela, Bolivia, Guatemala, Puerto Rico, Salvador, Dominican Republic, Ecuador, Costa Rica, Argentina, United States of America, Panama and Brazil.

5. Interviewer: Can you please explain the structure of the HR Department of this company?

Interviewee: In Venezuela we have two HR Managing Offices. One of them support Operations and Administration areas located in the plant outside Caracas and the other support Sales Force, Market Research and Stores (retail). We have two HR Managers that report to the General Director and Operations Director respectively. The structure contemplates Head of HR, Head of Industrial Safety, HR Analysts, Supervisors of Industrial Safety and Communications Analysts.

6. Interviewer: Globally speaking, does the company maintain the same structure and positions or does it change depending on the characteristics of each country?

Interviewee: Each country has the same structure except head office which structure is much more complex because the corporate guidelines come from there and they apply to all the countries.

7. Interviewer: Would you please inform us about the HR Department interaction with other business units or areas?

Interviewee: We work as a business partner of the commercial area, sales and operations. The foregoing means, that we support in all matters relating to the strategic alignment of talent to achieve corporate goals. We work in a healthy organisational system in order to attract and retain talent. We followed the corporate goals provided for each Vice Presidency, understanding their medium and long term challenges and designing the strategy to get the right person in the right moment under the right situation.

8. Interviewer: The decisions taken by the HR Department in your location are autonomous? Or do they depend on other business units? or are they imposed directly by the head office?

Interviewee: Corporate guidelines are issued by the head office and we must respect them and apply them. Those decisions that by their legal nature cannot be abided must be adjusted to the Venezuelan reality and the reasons for the change must be explained and justified.

9. Interviewer: Does the process of the HRP is standardized in all the countries where the company operates? Or is it adapted to each country depending on particular needs?

Interviewee: HRP is a standardized process and applies for each country under the same methodology. However, depending on the goals, times and strategies can be adjusted, but always under the same planning model.

10. Interviewer: May you please further indicate us the process of HRP in this company, and specifically in Venezuela?

Interviewee: First we focused on knowing the Business plan established for each country. We understand the medium and long term challenges of the business and how they impact in the designing of the Talent Strategy. The short term challenges of the business are identified with the objectives of the Performance Management System of each Vice Presidency or the General Management, and we align the strategies and actions (such as performance, capabilities, culture and structure) that may help in the achievement of the objectives. Then, we understand how the talent strategy impacts on the financial results of the business. Finally, we make the “talent inventory” which is the main output to design the talent strategy that allows the business to achieve the results. The analysis will consider the following: (i) Identify the gaps regarding talent, capabilities, culture and structure to achieve the goals of the business; and (ii) Define specific actions to fill in the talent gaps.

11. Interviewer: According to your knowledge, does the HRP performed by the management in Venezuela differ from other countries?

Interviewee: No, is the same in all countries. We just adapt the plan when is needed it.

12. Interviewer: From your experience, would you please tell us if the process in this company is similar to the companies you worked for before?

Interviewee: No, in this company is much more complete.

13. Interviewer: Based in your experience, which are the main challenges faced by the company when planning HR in Venezuela?

Interviewee: The main challenges in my opinion are: (i) Talent recruitment that meets the profiles required to fill critical positions. In the particular case of our Plant outside Caracas, attracting the desired profiles along with the combination of talent with values has been a difficult task to accomplish; and (ii) Retaining talent and deal with a strict Labor legislation with a special bar against dismissal that makes more difficult to have the right rotation.

14. Interviewer: In your opinion, how do external factors affect or influence the HRP in Venezuela?

Interviewee: It is very difficult to generate desired rotations with so little possibility of justified retirements. We are forced to deal with an annual Budget that must be monitor constantly due to the high cost of the termination benefits payments.

15. Interviewer: How does the company locally perform the search, selection and recruitment of personnel? For example, which parameters does the company follows when hiring staff, taking into account that in Venezuela there is a regime imposed by the government in order to ensure absolute job security and stability, and that currently it is not possible to hire staff through intermediary firms. Do they differ from those parameters used in other countries?

Interviewee: According to the requirements established for the year in terms of talent planning, we set priorities and perform searches at different levels. When is allowed we rely on certain cases involving contracts for a stated period of time. We eliminate the possibility of hiring third parties in order to comply with the new labor regulations. This imply that we had to assume more costs associate with the activities performed by third parties and include the profiles required to fill in those activities.

16. Interviewer: Does the company transfer local employees to companies in other jurisdictions or vice versa? If so, how is it planned?

Interviewee: Yes, it applies more from Venezuela to other countries than in the other way around due to the exchange control regulations in force in Venezuela as explained before. There is a comprehensive policy that recognizes every aspect of the change of location of an employee from his first exploratory visit to installation, searching for housing, car, school, and clubs, among others.

17. Interviewer: Would you please explain how are expatriates personnel managed in this company? Please specify any global policy for expatriates.

Interviewee: There is a policy for expatriate. However, nowadays Venezuela is not an attractive country for employees of other countries because we do not have access to foreign currency and we are affected by long processes to obtain work permit (visas). As a consequence we do not have expatriates working in Venezuela right now.

18. Interviewer: Bearing in mind that there is a brain drain as a consequence of the legal, political and social environment in Venezuela, which implies that there is not enough national talent to fulfill some positions, and considering the fact that the country's conditions are not attractive anymore for expatriates, would you please explain how does your company managed the current lack of working talents?

Interviewee: This is a really good question because this is a big issue for us. In these cases we try to find employees to fill in key positions in Venezuela by offering attractive compensation packages. For this, we research the market to compare compensation packages and we also evaluate the inflation in order to offer a really attractive compensation package which allows us to recruit these people. Normally, key people are working for the competition so we try to offer not only an excellent compensation package but a challenging career path. If we do not find the correct people nationally we will need to position an expatriate but in said case, previous consulting with the head office is required (respecting the limits to hire foreign people in accordance with the labor law).

19. Interviewer: Do you consider that planning is still important even though we live in a country with economic, politics, social changes? Please explain your answer.

Interviewee: Yes, it is important. However, since Venezuela has over ten years under a political scheme that has forced us to be creative, adaptive to change, to look for alternatives, we must always be prepared. In Venezuela the constant is change so HRP should always be aimed at meeting the needs of business, but always in the hands of adaptability, budget and creativity of the people who carry this area. We must work hand in hand with legal counsel in order to find the best options to cope with the challenges of new laws, raise of salaries and special protection against dismissal of employees. Under said conditions planning is hard but it is possible given that you handle a high level of tolerance towards changes.

Interviewer: Many thanks for your time and cooperation during this interview.

Interviewee: It was a pleasure.