

How The Human Capital of Bangladesh Affects Operations of MNCs

Tarannum Azim & Mustafa Nizamul Aziz

Abstract

In today's world where globalization has changed the whole perception of business, communication, etc. firms are expanding their businesses to different parts of the world, especially to emerging market economies. In order to run a successful venture in a foreign nation, it is necessary to employ the best human capital. Focusing on Bangladesh in this research paper, the objective of the study is to determine how the human capital of Bangladesh affects the operations, specifically the training of MNCs operating in this host country. Secondary data will be adequate for this distinct research topic. This research proposal would have been able to deliver and contribute more if both primary data such as interviews, and secondary data such as articles, journal, newspaper articles were used. Through this research a completely different perspective was seen. Where most people see Foreign Direct Investment or MNCs entering into a country as an opportunity to enhance the economy, most of the population tend to ignore the fact that only a certain small percentage of the population gets to benefit from these FDIs. Findings and results from previous research concluded that training program is built not only on the basis of human capital of the country but also on the basis of the institutional factors of the host country, industries, and size of firms. The implications of the research on this particular paper can turn out to be very useful and relevant for institutions and firms as they can develop new policies and strategies which can reduce the institutional barriers, encourage, and train the local human capital to develop skills to match with these multinational corporations. As it exclusively focuses on the human capital and firms' operations in Bangladesh, it cannot be generalised to a wider scale and to other countries, population or another research context.



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Introduction

“The age-old colonial education system in Bangladesh has been going on for decades and has failed to evolve over the years for which this education system has been questioned over and over again” (Azim, 2019). Bangladesh has developed such an education system since its existence which focuses on memorizing which ultimately creates a barrier to think creatively and restricts an individual’s knowledge within the books. This not only restricts the capability of an individual to think differently, creatively, and out of the box but also restricts the development of one’s brain and be open to new ideas (Azim, 2019).

The recent development of the country which can be determined by the consecutive increase of 7 percent GDP rate, enhanced purchasing power of consumers and boost in the status of Bangladesh from underdeveloped country to a developing country, this province is now being considered to be an emerging market. Bangladesh has recently also upgraded to 23rd position in “an annual ranking of the world’s leading emerging markets” (Daily Sun, 2018). “All these have encouraged more foreign companies to enter the country and set up their operations. This suggests that there are more and better job opportunities for the local graduates. However, this also leads to the concerning question of whether the companies entering the country prefer the local graduates or graduates who have a higher degree from abroad, and whether hiring the local graduates coming from this particular education system affects the business operations.

According to the human capital theory it is assumed that education is the determination of the marginal productivity of labour which eventually determines income. “Since the 1960s it has dominated the economics, and policy and public understanding, of relationships between education and work” (Marginson, 2017). Nowadays, the true value of education is determined by the “lifetime earnings of educated labour (Marginson, 2017)” When these educated labourers acquire the expected and demonstrated productivity by employers, income follows. There was a positive increase in demand for “educated labour” and all these graduates were successfully obtaining pretty good jobs. This proved that human capital theory can be applied into practice and led to optimism about the potential of higher education to produce a fair and more capable society, where education was given proper value and “educated merit and hard work would determine success, rather than prior family position” (Marginson, 2017).

Survey on UK’s human capital reflected that as the country’s human capital was declining, the unemployment rate was increasing. This in turn led to a decline in the real wage as a result. However, it also stated that earnings do not provide a complete view on human capital, it does not accurately reflect all the dimensions of human capital and a lot of other factors or indicators need to be studied and considered to get a full picture of human capital. According to Organization for Economic Co-operation and Development (OECD), the factors which regulate human capital are “skills and qualifications, education levels, work experience, social skills or communication, intelligence, emotional intelligence, judgement, personality, habits and personality traits, creativity, geography” (Pettinger, 2019). Only education cannot determine the quality of human capital, different sectors require different set of knowledge and skills. Having a higher degree does not always guarantee a skilled human capital. “Since 1960s/70s, human capital has become a more popular economic concept as the emerging knowledge economy makes greater use of a wider range of human capital” (Pettinger, 2019).

The government of Bangladesh is as concerned about the training of the youth as other people in the country. If the youth is not properly skilled it will not attract foreign multinational firms to enter the Bangladeshi market and hire the local graduates. Therefore, the government has taken certain initiatives which involve training to develop skills and credit programs which will

enhance the youth's knowledge, develop their skills further. Not only the Government but also certain NGOs have also implemented certain training initiatives which are not just open for the youth but open for all. "The Department of Youth Development is engaged in creating an enabling environment for ensuring proactive involvement of the youth in the development process by implementing a number of programmes for organizing the youth, motivating them, improving their state of education and skill, providing micro-credit and other facilities to solve unemployment and other related problems" (Ahmed, 2019).

It is suggested in the article "Training Practices of Multinational Companies in Asia" that when multinational firms are planning to enter and operate in Asia, they need to analyse in order to figure out what are the needs of the local employees. Each employee in each sector of a nation requires a different set of skills and capabilities. Therefore, it is important to know the host country nationalists' training requirements. "A differentiation strategy will be required with an emphasis on quality staffing and offering of various quality and relevant training programs. By doing so, MNCs will be better able to compete with local firms, as many Asian owned companies have also started to adapt to talent attraction and retention strategy by offering quality training and development programs" (Zheng, Hyland and Soosay, 2007).

The purpose of this research is to identify the research gap and figure out ways to eliminate it by identifying and scrutinizing in what ways can human capital, i.e., skills developed by the workforce of the country through this specific education system contribute and affect the functions and operations of the existing Multinational Corporations in Bangladesh. Previous research has been conducted on topics such as entrepreneurial education (Hasan, Khan, and Nabi, 2017), how innovation and human capital are related (Fonseca, de Faria and Lima, 2019), limitations of human capital (Marginson, 2017), study or research on Bangladesh's human capital and how it affects the operations of the existing companies in the country. This is where the research gap lies. In the past maximum research was conducted in several developing countries but Bangladesh. Previous research included topics using quantitative, mathematical sets, multivariate modelling but not on Bangladesh's context and by using primary data such as interviews. This is an important research area and hence, demands further investigation. Moreover, this can have relevant and important implications for Managers, Education Systems, Government and Policy Makers (Azim, 2019). Basically we want to find the answer of the following research question.

- (i) How Human Capital such as the Education System in Bangladesh Influence Multinational and Local Firms' Operations?

Literature Review

The lack of the education system of Bangladesh, the degradation of the value of the degrees and the unacceptance of the degrees by the rest of the world has motivated the majority of the population to go abroad and pursue higher education. As Prof. Nazrul stated to Dhaka Tribune that Bangladesh is not only lacking when it comes to the education system but also has insufficient number of good quality and up-to-date materials and facilities for pupils which further motivates them to move abroad for a better education (Student exodus doubles in a decade, 2019). Additionally, since Bangladesh does not provide well recognised training and qualification, it granted foreign subsidiaries to develop their own training programs for their employees (Chowdhury and Mahmood, 2012). "This shows that lack of quality of education and training has affected and evolved the operations of international subsidiaries in Bangladesh. Hence, making this research proposal more inevitable" (Azim, 2019).

There have been interesting findings from systematic studies by conducting research on the relationship between institutions and HRM practices of European multinational firms in Bangladesh. The differences in institutional environments are unique in each host nations, consequently making the multinationals' organizational activities, practices, and operations distinct in each emerging market and developing nations such as Bangladesh (Chowdhury and Mahmood, 2012). Multinationals in the country are well known for initially hiring expatriates to establish and carry out the organizational practices. "Having expatriate managers is one effective way of exercising tight control over overseas operations" (Chowdhury and Mahmood, 2012). Research by Niaz Murshed on his paper "Human Capital Development and Economic Growth in Bangladesh" focused on the propositions which are denoted by the null (H_0) and alternative hypothesis (H_1). The null and alternative hypothesis are as follows:

H₀: there is no positive relationship between economic growth and human capital development in Bangladesh

H₁: there is a positive relationship between economic growth and human capital development in Bangladesh

A survey resulted that a very minor amount of research has been done on this topic (Niaz Murshed Chowdhury, 2018).

The paper on FDI and Human Capital by Magnus Blomstrom and Ari Kokko examined how FDI and human capital are linked. It discusses how host country policies can affect multinational enterprises. To be more precise, it scrutinizes the host country's education and training system and the link between the training and education activities of multinational enterprises (Blomstrom and Kokko, 2002).

"Proponents of the Societal-Effect approach argued that the national educational and training system coordinated by the government, industry and educational institutions provide recognised occupational and professional qualifications. In Bangladesh, employers tend to de-emphasise the formally certified skills, rather, they seemed to rely on on-the-job training of employee skill development. In the absence of recognizable skills, a combination of informal competencies, personal qualities, kinship links, social networks, common geographical origins, shared educational backgrounds and perceived supremacy of specific educational attainments became key determinants of the development of career and promotional opportunities for employees. The educational qualifications of Bangladesh created stratification in workplaces and played a vital role in the development of training programs for different categories of employees" (Chowdhury and Mahmood, 2012).

"Human capital theory assumes that education determines the marginal productivity of labor, and this determines earnings" (Marginson, 2017). Human capital can be considered a primary and vital determination of relationships among work and education by dominating "economics, policy and public understanding." Higher education is the pathway to work, and education determines graduate outcomes (Marginson, 2017). Majority of the graduates target multinationals as they usually have a higher pay scale compared to local companies along with a better work environment. However, the expectation is not from one side, the multinational firms have certain expectations from the local graduates as well for instance, how their skills and knowledge can contribute and benefit the company. Moreover, how these skills can increase the company's goodwill and profit.

Gerardo Blanco Ramirez and H.M. Jahirul Haque's empirical study on the quality of higher studies in Bangladesh, concluded that where on one hand, higher education is thought to be an avenue to set foot into the knowledge economy and attain the country's developmental goals,

contrarily Bangladesh's higher education system struggles to facilitate adequate, vital high-quality education. "Clearly universities, government agencies at the national level, along with multinational organizations converge in their concerns at the interest in improving quality in Bangladeshi higher education" (Blanco Ramírez and Jahirul Haque, 2016). Lucas (1988) and Booth (1993) stated that "to continuously improve and maintain the quality of human capital, it is essential to invest in human capital through education and training" (Zheng, Hyland and Soosay, 2007). "Effective employee training is not only critical for enhancing long term employment and economic growth, which can add to a country's competitive advantage, but it also provides firms with a unique and differentiated position that can improve the standard and quality of service or products, resulting in continual innovation and increased productivity and profitability" (Zheng, Hyland and Soosay, 2007). Previous research done by Kazuyuki (2012) on the "MNC overseas subsidiaries in Japan analysed the key factors and tasks carried out by foreign multinational firms operating in Japan. Formerly, authors such as Jarillo and Martinez (1990) glanced at the level of integration possessed by the foreign firms. The authors defined integration as "the degree to which the MNC subsidiary aligns activities performed by the other subsidiaries of the MNC (Marukawa, 2019). There are various views on human capital by various authors. These are as follows:

"Although it is obvious that people acquire useful skills and knowledge, it is not obvious that these skills and knowledge are a form of capital, that this capital is in substantial part a product of deliberate investment" (Schultz, 1961).

"Human capital is determined by education, training, medical treatment, and is effectively a means of production. Increased human capital explains the differential income for graduates. Human capital is also important for influencing rates of economic growth" (Becker, 1964).

"There are different types of human capital. One could increase education but be a poor manager. A successful entrepreneur may have no education. Human capital is not unidimensional" (Pettinger, 2019).

"Human capital should be looked at from the ability to adapt. Can workers adapt to a changing labour market? A labour market which is shifting from full time manual work in manufacturing to flexible work in the service sector" (Pettinger, 2019).

"Human capital refers to the skills the labour force possesses and is regarded as a resource or asset. It encompasses the notion that there are investments in people e.g., education, training, health and that these investments increase an individual's productivity" (Goldin, 2014).

"The acquisition of talents during education, study, or apprenticeship, costs a real expense, which is the capital of a person. Those talents are part of his fortune and likewise that of society" (Smith, 1776).

Prior research shows that very little research has been conducted on multinational firms prioritizing the training of the local host country nationals. Rather, research has been carried out on how these multinationals bring expats from their home countries and how much training is provided in order to reduce the gap of cross-cultural aspects. This has been mentioned in the paper "Training Practices of Multinationals in Asia" by Zheng, Hyland and Soosay (2007) that previous studies were carried out on human resource and its development among the multinational firms and how they concentrate on the training and development of the expats and foreign management teams mainly focusing on cross-cultural dimensions, language training as they come to a foreign country and workplace. Therefore, learning the local language is essential to successfully adjust and bring the best outcome. However, while doing so they sometimes forget to give as much attention to the local employees who are equally important for the firm and require equal training and development to adjust to the foreign firm objectives, work culture, practices, and expatriates (Zheng, Hyland and Soosay,

2007). Lack of research on this particular field and especially in the context of Asian countries, Bangladesh to be specific makes this research more important and fill the research gap.

Conceptual Framework

Human capital assumes that education determines the marginal productivity of the workforce or worker which then determines their income. The intellectual capital (IC) consists of “human, social and structural capital” in other words it consists of innovation and process capital according to Edvinsson and Malone (1997). Therefore, it can be argued that human capital can be considered to be the foundation of intellectual capital. According to a statement made by Mahoney and Kor (2015) “human capital complements a firm’s structural and innovation capital, creating new and unique knowledge” (Human Capital Theory, 2017). Coff and Raffie (2015) states “human capital can simply walk out of the door and never come back” (Human Capital Theory, 2017). These two statements indicate that human capital is very vital and once lost cannot be regained. To prove this statement further, the article “Human Capital Theory” mentions that evidence from a large amount of research shows a positive relationship between progress of human capital and accomplished performance at both individual and firm levels. Where human capital is considered to be so vital for organization, organizational performance and economy, human capital theory lacks behind when it comes to providing evidence (Human Capital Theory, 2017). The article “The Trouble With Human Capital Theory” by Blair Fix explains human capital theory is the main determinant to understand income distribution. This theory claims that human capital results in individual income. To explain this statement in a more concise manner, human capital generally makes human beings more productive and hence they are able to earn a higher income (Fix, 2018).

Human Capital → Productivity → Income

The term human capital must be taken more seriously as it does not help develop individuals to reach an outcome such as job performance, employee development but also helps develop and achieve firm level outcomes which include capability development and competitive advantage. Competitive advantage can be explained as something an individual or firm has that other firms or individual don’t and therefore distinguishes them from others. Human capital acts as a competitive advantage for firms as they determine the success and image of the company and help reach its goals (Human Capital Theory, 2017). Resource-based view (RBV) explains the necessity of human capital development further as human capital is a resource for the organization. Peng (2011) describes a firm exists due to two factors; one of the two factors is the resource-based view. “Resource-based view is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage” (Barney, 1991). The RBV states that firms are “heterogeneous” as each firm possesses “heterogeneous resources” as individual firms can have distinct strategies because they are distinct from each other and have definite resources. “The RBV focuses managerial attention on the firm’s internal resources in an effort to identify those assets, capabilities and competencies with the potential to deliver superior competitive advantages (Barney, 1991). “The resource-based view (RBV) and capability perspectives (CAP) underline the need for the growing focus on human capital in the firm performance and competitive advantage debate” (Human Capital Theory, 2017). Furthermore, the knowledge-based view (KBV) indicates that it is necessary for a firm and its management to figure out and determine the interactions among the three capitals which are social, human, and structural. In order to boost and develop human capital it is necessary to facilitate the organizational climate and structure (Human Capital Theory, 2017).

The challenge lies when deciding whether to hire local workers in the host nation or employ workers from headquarters. Human capital can play a major role and challenge in setting organizational strategies. It can also increase or reduce the liability of foreignness. Local workers are aware of local work practices which can help reduce the liability of foreignness to some extent. This also raises the question that in order to reduce the liability of foreignness, how drastically an MNC has to modify its strategies, objectives and goals while recruiting local human capital (Salomon and Wu, 2012). Some factors which affect the strategies of multinationals are performance, cross-country heterogeneity, psychic distance etc. Human capital must also be observed as one of the very crucial factors when developing operational goals, objectives and strategies.

Data and Methodology

Since this topic relates more with theoretical perspectives as it talks about how human capital affects operations of firms, i.e., what training methods, and other strategies are adopted by firms in Bangladesh based on its local human capital. Qualitative research method best suits this research topic and question as it will help provide in depth and detailed investigation regarding what is actually happening and why along with various perspectives from different authors who have worked on similar or related topics. It provides a different insight and uncovers issues or opinions which otherwise would have been missed. For topics as such which have not been studied or explored in depth previously, case studies can prove to be very useful. Secondary data will be adequate for this distinct research topic. This research proposal would have been able to deliver and contribute more if both primary data such as interviews, and secondary data such as articles, journal, newspaper articles were used. However, due to time restrictions only secondary data has been used to deliver appropriate and as detailed research as possible.

Data Analysis and Findings

Human capital can be considered as a major global issue in recent times. The shortage in the demand supply in the market “warrants” that organizations should adopt a different perspective when it comes to looking for talent. OECD explains human capital as the measurement of “education, capacity and attributes of labour which influence their productive capacity and earning potential.” It can also be described as “the knowledge, skills, competencies and other attributes embodied in individuals acquired during their life and used to produce goods, services or ideas in market circumstances” (Economicshelp.org, 2019). As much as the high unemployment rate 4.2 percent in 2018 (Tradingeconomics.com, 2019). has been indicating that there is something wrong. New study by the World Bank on Human Capital Index indicated that around 56 percent of the children in the world will be losing their potential entire lifetime income only because of the carelessness and lack of initiatives by the governments. It stated that “governments are currently not making effective investments in their people to ensure a healthy, educated and resilient population ready for the workplace of the future” (World Bank, 2019). The general public of Bangladesh has been concerned for years about the high unemployment rate in the country and organizations have been concerned about the level and quality of the human capital this country produces. Having said that, it has also been witnessed that graduates of the highest caliber do not get their deserved job and their skills are not recognised by the huge, successful organizations. However, recent report by the World Bank-IMF Annual Meeting concluded that Bangladesh has performed better compared to the South Asian average along with the Lower Middle-Income average in rest of the criteria except for Stunting (World Bank, 2019). One issue which pops up over and over again is the quality of education. In this nation, stunting and poor quality of education prevents children from achieving their full potential. “With current education and health conditions, a child born

today in Bangladesh will be 48 percent as productive as he or she could have been (World Bank, 2019).

WEF Global Human Capital report defines human capital as “the knowledge and skills people possess that enable them to create value in the global economic system” (World Economic Forum, 2017). The term human capital cannot only be explained in terms of formal education and skill development but also through enhancement and growth via use as well as depreciation due to lack of use (World Economic Forum, 2017).

Multinational wage premium refers to the wage that is paid by the multinational firms as these firms usually pay higher compared to domestic firms. That is exactly why getting a job in a multinational corporation in Bangladesh is considered to be a dream job for most of the population. Unfortunately, not many are benefited from this multinational wage premium. As mentioned previously, not many are recruited in the white-collar jobs and those employed in low skilled blue-collar jobs do not get that premium wage. The inequality in payment and recruitment is due to some being privileged, getting the fortune of good schooling and university degree while most of the population is deprived of such privilege (The Daily Star, 2019). This cannot be ignored that multinational corporations in Bangladesh are operating in oligopolistic structures in various sectors. Therefore, according to economists’ term, the prices charged by these organizations cannot be considered “perfectly competitive.” An income disparity exists as most MNCs are not listed in the public stock market and this makes the entire situation extreme in Bangladesh to a great extent. By doing so, “these firms are denying the ordinary citizens one of the most age-old methods of sharing profits equitably with society” (The Daily Star, 2019).

Through this research a completely different perspective was seen. Where most people see Foreign Direct Investment or MNCs entering into a country as an opportunity to enhance the economy, create more jobs leading to more employment, bringing in new technology and hence uplifting the economy as a whole. But most of the population tend to ignore the fact that only a certain small percentage of the population gets to benefit from these FDIs. Foreign firms are modifying their operations to some extent when they enter Bangladesh to bring out the most productivity. However, they are also modifying their operations relating to recruitment. “These foreign firms do not employ even 0.5 percent of the country’s total population in white-collar jobs in their corporate offices” (The Daily Star, 2019). The Global Human Capital Index 2017 has ranked 130 countries on the basis of how well they are enhancing their human capital on the scale of 0 to 100 based on “four thematic dimensions” which are 1. Capacity 2. Deployment 3. Development and know-how and 4. Five distinct age groups. Out of 130 countries, Bangladesh secured its position on 111 (World Economic Forum, 2017).

The economy is becoming more and more knowledge intensive with more and more people spending on enhancing their knowledge in order to survive the competition. It is now believed by the firms and managers around the world that “intangible” knowledge is far more valuable to the organization compared to tangible assets. Firms are now finding it laborious to justify the investment in human capital. The book “Human Capital Management Challenges” by Ram Raghavan explains how it is now necessary to look at employees from a different point of view and why today’s employees don’t adjust anymore with the traditional set of rules and traditional interpretation of assets (RAGHAVAN, 2016).

Human capital is considered a major competitive advantage for organizations these days (RAGHAVAN, 2016). It is becoming difficult for firms, especially multinational firms to recruit

talented people because of intensified war for talent. Statistic shows according to McKinsey's study that only 11 percent in China and 26 percent of India's graduates are employable and it is predicted to get worse. This shows how Bangladesh, and its neighboring countries are suffering with their human capital which in turn is affecting the organizations' management and alter their strategies. Where on one hand firms are prioritizing talent management and considering it to be their core business strategy, "talent management is running dry" on the other hand (RAGHAVAN, 2016). A firm's sole responsibility now is to manage and establish talent. Therefore, firms are taking certain steps:

- 1) Organizations are assessing the employees' motivations
- 2) They are showing appreciation by compensating and recognising their talent
- 3) Valuing the talent to encourage employees

The government has taken certain initiatives at the primary and secondary level to improve the human capital of the country. Various programs are being developed by the government. Additionally, Bangladeshi government declared a "National Education Policy 2010" which is developed to meet the requirements of the nation. "The ratio of female teachers has increased from 21 percent in 1991 to 61.7 percent following the policy of appointing 60 percent female teachers in government primary school (Niaz Murshed Chowdhury, 2018).

Multinational organizations in Bangladesh not only provide training to these employees they hire but they also pay a big amount to other organizations or firms which have set their business in this field. However, organizations fail to understand and measure how much of their money are being wasted while paying other firms to train their employees. These huge multinationals can easily train their employees at work themselves without spending so much extra money on other companies who do not put much effort in to providing adequate training to the workforce which can actually enhance their skills and develop their ability to perform their best. Thus, leading to growth of the firm. Results from the research conducted on 529 multinational firms show that the multinational firms spend a huge amount in training. Training is mostly provided in the service sector and not in the manufacturing sector. The training programs are mainly aimed for professional staff and managerial development which are usually conducted externally (Zheng, Hyland and Soosay, 2007).

This research mainly focuses on how human capital of Bangladesh affects the operations, training to be precise, of multinationals operating in the country. Training refers to the "effort initiated by an organization to faster learning among its members" (Zagelmeyer, 2019). When we talk about training, it goes hand in hand with development. Development can be described as an "effort that is oriented more toward broadening an individual's skills for the future responsibilities" (Zagelmeyer, 2019). International firms bring expatriates from home country to train the local employees along with certain developed training processes. The training process is described in detail (Zagelmeyer, 2019):

1. Phase 1: Needs Assessment

Needs assessment is the phase where the organization as a whole analyzes its goals and objectives, followed by the task analysis which refers to examining the tasks which need to be implemented and carried out to achieve its organizational goals and objectives. After the organization and task analysis are completed, the final stage of phase one is analyzed. It is important to figure out the type of person who fits the best for each of the tasks to successfully attain the future objectives and desired position for the firm. Therefore, the last step requires person analysis.

2. Phase 2: Design
Once all the requirements are analyzed and determined, it is time to design the training process. The design process includes instructional objectives, trainee readiness and learning principles.
3. Phase 3: Implementation
No matter how brilliant the training design and analysis is, if it cannot be implemented properly, the end result cannot be achieved. Hence, firms implement the training process into three steps which are:
 1. On-the-job training methods which include shifting the workers from department to department and they learn while working for the organization.
 2. Off-the-job training methods are the training provided before starting the actual work such as workshops, simulation etc.
 3. Management development makes sure that the whole management is acquiring the required skills and the entire management system is developed for the next step.
4. **Phase 4: Evaluation**
When workers are going through this training process, they need to be evaluated at the end in order to understand whether the training process was successful or not and whether these training process can help reach the organizational goals by developing individual's skills and knowledge. The outcomes can be evaluated through reactions, how the knowledge is being transferred throughout the workplace.

As mentioned previously, prior research shows most firms focus on providing training to expatriates compared to local host country nationals in Asian countries. Mc Perhson and Roche (1997) mentioned that only providing training to expatriates will not be enough to become successful and achieve goals. "MNCs must not only provide training to expatriates, but also to host country nationals, in order to develop international experience across a range of employees and to enhance the quality of international staff" (Zheng, Hyland and Soosay, 2007). It is vital to provide training to expatriates, but it is also crucial to provide equal training to the local employees. Expatriates come into a new country where culture, working practices and ethics are different compared to their home country practices, culture and ethics. But these multinational organizations also need to understand and evaluate that local worker come from a completely different educational background. Especially, in a country like Bangladesh where the old age colonial education system has been criticized for decades and decades, these labour force require training in order to develop skills which might not have been provided through this education system. Firms nowadays are understanding the importance of providing increased and probably a slightly different training processes and facilities to enhance the local human capital and make them capable enough to adjust with foreign company practices and meet their criteria.

So far we have seen that research conducted by various authors have concluded many different perspectives such as concluding that human capital plays an important role to some or great extent when it comes to developing strategies and training programs for multinational organizations, how much emphasis is given on training programs for expatriates in comparison with local nationals or workforce, what are the key indicators of measuring the human capital, how much research and on which areas have been done or not done regarding human capital in Asia and what are the training steps, methods and measurements carried out by foreign firms in general and in Bangladesh. Having said that, the fact is not much research has been done on human capital in the context of Bangladesh. That is exactly why this research is so crucial.

Statistics show the exact value that has been spent by multinational corporations operating in Asia. These firms have invested quite a big sum of money on training. The accumulated training cost has been shown on a range of US \$ 772 to US \$ 26,267,554. The mean training cost per employee ranges from US \$ 1 to US \$ 71,665 (Zheng, Hyland and Soosay, 2007). Results also indicate that the percentage of multinational firms owned by non-Asians spent more than US \$ 1000 per employee per annum which was beyond than that of multinational organizations owned by Asians. An interesting fact came out through this research that multinational firms which are not only operating in Asia but are also owned by Asians spend less than US \$ 100 in training and developing their employees and workforce compared to international firms which are operating outside Asia and are owned by non-Asians (Zheng, Hyland and Soosay, 2007).

Only the amount spent on training is not important for this research but also the variety of training programs and whether these programs are valid or not is also important. Study shows "there are positive correlations between a number of managers trained (coefficient = 0.095, $p < 0.05$) and non-Asian firms, and between total training programs offered (coefficient = 0.098, $p < 0.05$) and non-Asian owned MNCs. This implies that non-Asian MNCs could have spent slightly more in training programs to their local employees, than the Asian MNCs do" (Zheng, Hyland and Soosay, 2007). These above results can be generalized to Bangladesh to some extent as these studies have been carried out on various countries in Asia which have similar trends and practices like Bangladesh. Hence, suggests that MNCs which are not owned by Asians spend more on training and provide more training programs to host country nationals. Having said that, the results cannot be completely generalized as Bangladesh has different population, human capital, institutions etc.

How much training will be provided is determined by the type of industry. This research is mainly focused on how training programs and activities are affected and differentiated by multinational firms in the service sector in Bangladesh. No prior research has been done on this exact topic. However, former research and literature has shown that the likelihood of training, the degree of training and the type of training programs depends on the type of industry, and these vary from industry to industry. Moreover, the differences also depend on whether the firms or industries are in developing countries or developed countries. Research shows that service industries tend to provide more training to their employees in order to establish and develop their human capital by enhancing their skills and capabilities. This outcome was even more proven by Blunch and Castro (2005) who stated that in Organization for Economic Cooperation and Development (OECD) countries, "employees in service sectors, such as finance, insurance, and business or community, social or personal services have a higher probability of being trained compared to those in the manufacturing industry" (Zheng, Hyland and Soosay, 2007).

In the United States firms focus more on providing training to the service sectors than in manufacturing sectors. Formal training programs are established mainly for those in the communication, finance, insurance sectors. Almost all the authors came up with the same results and conclusion that workplace creativity was essential for a firm, and it was a crucial "driver" of training for almost all the industries around the world and hence, concluded that service sectors were increasing their training facilities day by day compared to manufacturing firms. "There is a compelling need for service organizations to adapt to workplace changes, new technology, quality service delivery and customer satisfaction" (Zheng, Hyland and Soosay, 2007). One other interesting factor that came through this research was that even the size of the firm impacted how willing these firms were to provide training and not only that but also

the category of training programs offered are dependent on the size and structure of multinational firms. Further studies suggested that the bigger the multinational companies were the more they were concerned about and captured the returns on training which the small sized firms did not do due to “cost-consciousness” and risk averse nature. As these training practices and programs differ from industry to industry and from one firm to the other, huge firms tend to develop and deliver more structured training practices as they have more resources and are more likely to take risks (Zheng, Hyland and Soosay, 2007).

The institutions in countries like Bangladesh are not very strong which encourages foreign firms even more to provide training to their employees to meet all their requirements which also include safety requirements. As mentioned over and over again previously that education plays a huge role in the development of human capital in a nation. Nevertheless, through research, outcomes have shown that institutional factors of a country play a vital role in motivating foreign firms to provide well-structured training programs. Especially, a country like Bangladesh where both the education system and institutions are weak, makes it mandatory for MNCs to take stronger steps towards their training programs. Felstead and Green (1996) argued that no matter how much resources these huge firms have and use them to develop structured training programs compared to smaller firms, they are also drawn back or halted more because these large corporations have more “regulations” and “bureaucracy.” All these studies have been carried out on various industries and multinational firms operating all around the globe. Even if not completely, but it is expected that these results can be generalised to Asian countries, like Bangladesh to some extent. “A number of studies conducted in Asia demonstrate that foreign ownership positively relates to more training provided. It is like that if MNCs invested more in the host countries, they would also invest in human capital through training” (Zheng, Hyland and Soosay, 2007).

Training plays a crucial role no matter what sector, which industry or which department it is. That is why the Government of Bangladesh is emphasizing so much on training by implementing various training programs for everyone and specifically increased training for females to empower women and increase gender equality. However, some sectors which require increased and intense training for women has the least share of trained female workers and that sector is the Ready-made Garments (RMG) and textile industries. Studies have suggested that a great number of the population acquiring technical training yield elevated figures of unemployment rate. “While this cannot be solely attributed to methodology or data problem, these figures stand in contrast to recent LFS data” (The Daily Star, 2015). The data from LFS display a significant low and declining unemployment rate among those who have the required technical skills. These rates are even lower than the rate of the population with basic education such as Secondary School Certificate (SSC) and Higher Secondary Certificate (HSC). Results for research indicated that there is a “significant positive impact” of having technical knowledge and skills with salary. The higher the skills, the higher the salaries will be. People who attain greater training tend to acquire better jobs with higher wages and that is due to increased skills, capability, and knowledge as well as “intrinsic abilities” (The Daily Star, 2015).

The number of people attaining general education as well as an increasing number of the population of Bangladesh are obtaining higher degree as stated by statistics and have been mentioned previously in this research paper. This also suggests that as the number of people gaining education increases, the rate of people becoming more “trainable” is also increasing. Not only the government, NGOs or other organizations are increasing their initiatives to provide training to employees all around the country but some of the global leaders such as

Chevron has taken some major steps to develop the entire human capital of Bangladesh and not just their own employees. Most multinational firms focus on training their own employees and developing their skills, but Chevron has implemented strategies and has taken initiatives to enhance the skills of the entire human capital of the host nation. Even though this research is mainly focused on training provided by corporate offices to secondary and tertiary sector employees, however, some interesting facts about Chevron operating in Bangladesh such as their implementation of plans for all sector workers which show that multinational organizations are willing to and are taking extra initiatives to develop the human capital of Bangladesh. The company initiated "The Alternative Livelihood Program" back in 2006 to provide training and "seed funds" (The Daily Star, 2015). Later, in 2014 a two-year program was developed and implemented in order to integrate "skills-based programs for job placement and enterprise development opportunities, to 498 unemployed youths and women" and an initiative of "Non-Formal Primary Education (NFPE)" program in the year 2015 was implemented to train a total number of "120 teachers, 1800 parents on parenting education services, and the formation of 60 Centre Management Committees" (The Daily Star, 2015).

In this part, I will mention some of the training programs provided by some of the huge multinational firms operating in Bangladesh. To begin with, Nestle being one of the top multinational companies for food in the world has been operating in Bangladesh prior to its independence. This firm focuses on on-the-job training process along with providing guidance and coaching to the existing employees in the corporate office. The training process is mentored, and results are evaluated by the managers or leaders of each team or department. Nestle focuses on bringing out the best in their workforce through training which is based on "action learning" (Sazid, 2012). They also realize that each employee is an individual with different sets of needs and abilities. Keeping that in mind, they set the training programs and implement the adequate planning tools. The firm provides training for "management and leadership development" through four main types of training which are "functional skills, organizational knowledge, business skill, leadership skill" (Sazid, 2012).

Training reduces the gap between the required skills for a particular task and expected skills of the individual employee. GlaxoSmithKline (GSK), which is a well-established British multinational firm operating in Bangladesh follows a structured training program which might be a bit different from the training program of Nestle Bangladesh, but it is solely designed to meet the requirements and get the exact expected outcome from the local host country nationals. Initially, they identify the strengths and weaknesses of each employee. This might be time consuming but definitely helps design and implement the best, adequate, and valid training programs to get the best possible result and develop the local human capital. This stage is completed through Key Performance Indicator (KPI). Line managers also help to identify the shortcomings and performance gap. Depending on that they develop or select the appropriate training program for that specific employee. This is followed by the HR department providing adequate venue, tools, and materials for the training to be carried out (Amin, 2018). GSK focuses on three main types of training programs. These training programs include internal training which involves mentoring, train the trainers, on-the-job training and formal training which focuses on developing organizational skills and is carried out by instructors based on the definite objectives established by the management. The second set of training is external training which is developed in order to make the employees more productive. This training is provided by other external firms such as BDjobs.com, GrownExcel, Prothomalojobs. The third and the last set of training program is the exclusive training program which is inclusive of "my-learning," a 90-day assessment and training program, "e-learning" and last but not least "write-right" which "trains the employees to give respect while raising any issue" (Amin, 2018).

Grameenphone follows a very simple yet effective training program. The two major types of training programs provided by Grameenphone are on-the-job and off-the-job training. On-the-job training includes mentoring, coaching, job rotation and job instruction techniques. Off-the-job training involves a wide variety of training facilities such as orientation training, code of conduct training, training on corporate culture, product and service training, training on different software, local training, and overseas training. Overseas training is where employees are sent abroad to attain the training. This shows that these foreign firms develop specific set of training programs for countries like Bangladesh which do not exist in their home country subsidiaries. This multinational corporation has developed an overseas training facility to train the Bangladeshi human capital on the skills which their home country nationals possess (Shabnom, 2017).

Unilever follows quite a similar training process to that of GlaxoSmithKline (GSK). The process has four steps:

1. Identifying the learning requirements
2. Designing the training program according to the requirements
3. Delivering the training programs
4. Evaluation

Before implementing the training programs, they make sure that it is valid and after it has been delivered, they evaluate to ensure it was effective. If the end result is not effective, there is no point providing the training and they can further develop and modify the training design. Their evaluation process is quite different from the other organizations. That is because they evaluate through “written tests, simulation, interviews, questionnaire, performance appraisal” (Manzoor, 2016). Like any other firm they have on-the-job training, off-the-job training, coaching, and mentoring. All these three types of trainings are provided to develop the host country nationals’ leadership skills, general skills, and functional skills. Kirk Patrick’s model which was developed by Donald Kirk Patrick in the year 1959 is used to measure and evaluate whether the training process was effective or not. The four levels comprise of “reaction, learning, behaviour, and result” (Manzoor, 2016).

Linde Bangladesh Limited provides training to their employees like any other multinational organizations in the country. They provide a variety of training programs such as “classroom, on-the-job and computer-based training” (The Linde Group, 2014). This firm is very much concerned about the safety of the employees and workplace. Therefore, they provide quite a few trainings including “hazards communication, confined space assessment and risk management behavioural safety program” (The Linde Group, 2014).

Unlike some other international firms, Banglalink which is a very successful and well-established multinational telecommunication company operating in Bangladesh for over ten years now provide training mostly outside the head office in other locations and premises. They provide training to the employees based on a different set of requirements of individuals and depending on the various levels, the employees’ training is organized. Some basic training is provided to everyone in the organization. Otherwise, it is usually the line manager who identifies which employees require training and coaching and when. However, the line managers have to go for several types of training as well. This firm focuses mainly on two types of training approaches which are “cognitive method” and “behavioural method” (Alam, 2017). In order to attain these trainings both the trainer and trainee need to have complete understanding and knowledge of these two methods along with the main objective for providing and obtaining these coaching methods. The main purpose of cognitive approach is to build and develop the employees’ written, verbal and communication skills through theoretical

learning. Hence, this method involves “training by lecture, training by demonstration, training by discussion, and computer-based training” (Alam, 2017). On the contrary to this particular method, comes the behavioural method. Behavioural training focuses on enhancing knowledge and fundamental skills through practical tasks. This method adds value to the employees through “games and simulations, role playing, in basket training.” Alongside these two most common, effective, and major training methods, Banglalink also delivers on-the-job and off-the-job training. Like prior information has shown, Banglalink being no different from any other multinational organizations in Bangladesh and around the world includes coaching, mentoring, job rotation, job instruction technique under on-the-job training and trying to set themselves apart from other firms by including management game and outdoor games under off-the-job training (Alam, 2017).

Marks and Spencer (M&S) have been operating in Bangladesh for quite some time. They have implemented the “Ethical Model Factory (EMF)” program. This program involves training on the rights of workers, Human Resource Systems along with Industrial Relations Management provided to mid-level management and Human Resource personnel. This program has proven to be successful as it has been seen that there was an increase in the wages and salaries from 12 to 42 percent. The program is not only for the managerial level employees and HR personnel but also to increase productivity and on industrial engineering. Marks and Spencer have also implemented the “Benefits for Business and Workers (BBW)” project which is a training program to provide guidance on the “importance of worker or management dialogue (Cleanclothes.org, 2014).

The paper “Human Capital Development and Economic Growth in Bangladesh” conducted the study to see if development in the human capital has any effect on the economic growth of Bangladesh. To conduct this study “unit root test, co-integration and OLS” methods were implemented. The results from this test concluded that the variables used were all “statistically significant and the results are statistically significant in the long run” (Chowdhury, 2018). The most important thing that must be taken into account and should not be missed is that the government of the country must prioritize and give utmost attention to the education sector of the nation. The education sector builds the human capital. The more efficient and successful the education system of a country is, the more efficient, successful, and productive human capital will be. Not to forget, once the education is strong it can be enhanced and developed further through training. “The human capital development also acts as a catalyst for the improvement of the standard of living of the population. It is also suggested that both quality and quantity of health services and education should be improved so that their effect on the overall economic performance of the nation could be magnified” (Chowdhury, 2018). Research has shown that more and more students are now pursuing higher education, and most are going abroad for their higher studies.

Conclusion

A basic conclusion can be concluded that multinational firms play a great role in generating “substantial human capital spillovers” in less developed nations such as Bangladesh and necessary and correct policies can increase these. As mentioned in the article “FDI and Human Capital” by Magnus Blomstorm and Ari Kokko “training policies are essential to creating positive synergies with MNEs” (Blomstrom and Kokko, 2002). It is essential for the firms’ competitiveness. Human capital plays an integral role in any country’s development and its economic growth (Niaz Murshed Chowdhury, 2018). Schultz (1993) described human capital as “the key element in improving firms’ asset and employees in order to improve productivity as well as sustain competitive advantage” (Niaz Murshed Chowdhury, 2018). Bangladesh has

seen a substantial progress when it comes to health. The mortality and fertility rate has decreased drastically, education sectors have seen tremendous growth. Moreover, government declared national Women Development Policy with other policies which enhance the overall human capital. "After Sri Lanka, Bangladesh has earned a rare distinction among the least developed countries in the field of education at primary and secondary levels by ensuring gender balance" (Niaz Murshed Chowdhury, 2018).

Human capital can also be referred to as the "physical means of production" (Niaz Murshed Chowdhury, 2018). Through research it has been found that the sole reason of unemployment among graduates was due to lack of relationship between higher education and the labour market. "Labour market is a mechanism that matches potential employers of people (the demand for labour) with people who are available for work (the labour supply). Labour markets operate at local, regional, national and, increasingly, at international levels, reflecting how economies operate" (UNDERSTANDING THE LABOUR MARKET, 2007). Also, there exists a firm positive relationship between the development of human capital and economic growth. Since there is a gap lying between the number of people attaining higher education and the demand for educated labour in the market causes inequality in the market. Therefore, organizations do not get their desired level of workforce which in turn forces these firms to either bring expats from their home country or develop further training methods for existing local human capital (Niaz Murshed Chowdhury, 2018). Adebayo (2009) stated that "human resources of any nation are the key factor of its economic and social development instead of its physical, capital and material resources" (Niaz Murshed Chowdhury, 2018). It is recommended by authors such as Yeasmin and Chowdhury (2014) that Bangladesh should look for and develop options which allows debt reduction or elimination and moreover, should increase human as well as infrastructure development (Niaz Murshed Chowdhury, 2018). The article "Human Capital theory" concluded that "it is vitally important that organizations have a robust human capital measurement and reporting function, so management are supplied with the data to make more effective decisions and predictions regarding human capital management and development within the organization" (Human Capital Theory, 2017). It is necessary to understand the importance of measurement. An effective measurement process will allow multinational firms to determine and develop a further effective and successful training process.

Findings and results from previous research concluded that training program is built not only on the basis of human capital of the country but also on the basis of the institutional factors of the host country, industries, and size of firms. The results and analysis showed that human capital of a nation like Bangladesh does affect the operations and strategies of multinational firms after entering into the market, i.e., they develop separate set of specialized tools, training programs and evaluation process based on the quality of human capital. All these were further supported by the reports which provided detailed description of the types of training facilities established by some of the well-known international firms existing currently in Bangladesh. Previous research has suggested that more research needs to be conducted in order to attain outcomes on the "area of efficient utilization of public funds allocated to the different sub sectors which are health and education that constitute human capital development and ways of enhancing human capital contributions to capacity building in Bangladesh" (Chowdhury, 2018).

Given the information available on some of the top multinationals of the world operating in Bangladesh, it appears that almost all the firms have on-the-job training available for their employees' skills and abilities' development. However, there are certain methods which differ

from firm to firm. For example, Unilever, setting up written tests, interviews etc. to evaluate how successful their training processes were and Banglalink providing management and outdoor games to motivate and build further skills in employees. One noticeable training method provided by only one firm out of all the firms mentioned above is the overseas training arranged by Grameenphone. This leads this research to a specific direction. That is, in order to develop the human capital, to make them more compatible and more competitive, these employees are sent abroad for training. This suggests that it is believed by this firm that the human capital of Bangladesh is not as skillful as other countries or their home country nationals for which they find it necessary to spend a relatively huge amount of money by sending them abroad. This method is not applicable for their home country nationals but is especially developed for Bangladesh's human capital. Nonetheless, it will be wrong to completely believe that they are sent for overseas training for only the specific reason of being underdeveloped. There can be many other factors or reasons such as familiarizing the host country nationals to their home country work practices and culture to ensure these employees understand the core beliefs, work practices, ethics, and culture of the organization. Through this, the gap between cultures declines as well.

Expected Contributions

The main purpose of this research is to figure out the relationship between the human capital and the operations of the existing Multinational firms in Bangladesh. The implications of this research findings can contribute eminently by helping Managers, Policy Makers, Universities, and other Education Institutions to develop better strategies and come up with superior methods of studies and equipments. The findings from this specific research can be implemented to theoretical practice, and managerial practice as well. As the research will be based on information gathered from multiple case studies and articles, there will be various issues and solutions suggested by different authors which if implemented successfully by managers, policy makers and institutions a whole new education system can be developed and help build a better and more qualified human capital for the country. "This can help the managers to get insights to how different companies operate and deal with the challenges and how they should modify their strategies in order to become more successful and effectively use the work force and their skills to achieve their goals and objectives. This research will provide implications to both the managers and politicians as managers can utilize the information to change or gain insights and ideas to develop their strategies in order to help perform more successfully with the existing workforce. And politicians can use the information to change the education system of Bangladesh for betterment of the country. Universities, Schools, Policy Makers, Government and Lawmakers can work together with a view to improve the quality and methods of the education system to create a better skilled and developed workforce which will motivate and encourage more MNCs to enter the country" (Azim, 2019).

The implications of the research on this particular paper can turn out to be very useful and relevant for institutions and firms as they can develop new policies and strategies which can reduce the institutional barriers, encourage, and train the local human capital to develop skills to match with these multinational corporations. This can also help the educational institutions to develop courses to enhance the overall quality. Moreover, this paper also encourages further research on how and what skills should this local human capital of Bangladesh develop to encourage more MNCs to enter the country. For 40 years it has been observed that the quality of human capital leads to "improved productivity, business performance and overall national economic growth" (Zheng, Hyland and Soosay, 2007).

Limitations

All research comes with their own limitations. Like any other paper there are quite a few limitations to this. First and foremost is the issue of generalisation. As it exclusively focuses on the human capital and firms' operations in Bangladesh, it cannot be generalised to a wider scale and to other countries, population or other research context. Secondly, too much dependency on case studies can result in more complicated theories (Eisenhardt, 1989). Thirdly, focusing completely on qualitative approach for this research can lead to a high possibility of biasness and subjectivity due to personal opinion, authors' perspectives compared to a more quantitative research method (Bryman and Bell, 2011). Due to time limitation interviews could not be conducted which could have given more important insights and perspectives of managers who directly work with this particular group of educated labor. As a result of these limitations such as time, accessibility, classified information could not be collected restricting the flow and quantity of information relevant to this research. Furthermore, one crucial issue with this research was the availability of information. Even though a number of case studies and journals were available on human capital, there were restricted number of information in the context of Bangladesh. Hence, limiting the intensity of information. Further research can be conducted on topics such as what are the MNCs' expectations from the workforce of Bangladesh or whether these international firms prefer workforce with just Bangladeshi degrees or demand foreign degrees.

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