



# Functional Area #11: HR in the Global Context

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# How Globalization Began



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| Globalization Time Line |  |
|-------------------------|--|
| 1984                    | Apple Macintosh  |
| 1990                    | First Internet page posted                               |
| 1994                    | NAFTA  |
| 1996                    | First smartphone   |
| 2002                    | Euro introduced  |
| 2003-2005               | Growth of tech companies                                 |
| 2008                    | Great Recession  |
| 2012                    | Shift in foreign direct investment to emerging economies |
| 2016                    | TPP negotiations   |
| 2016                    | BREXIT vote in U.K.                                      |
| 2018                    | U.S. tariff “war”  |
| 2018                    | EU General Data Protection Regulation                    |

# Defining Globalization



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“The inevitable integration of markets, nation-states and technologies to a degree never witnessed before...”

*Thomas L. Friedman*

Globalization changes the way we see the world around us and how we interact with all the dynamic forces.



- HR needs to distinguish between large-scale forces and trends and more immediate events and “trendy” phenomena.
- Global forces (political, economic, social, technological, legal, environmental) are and should be seen as interconnected.
- While a given force’s effects are global, their impact on different cultures, industries, and organizations may be unique.



## Shift from Developed to Emerging Economies

| Foreign Direct Investment  | The Diaspora  | Demographic Dichotomy   | Reverse Innovation  |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>Investment of foreign assets into domestic structures, equipment, organizations</li> <li>Leading indicator of shift and major feature of globalization</li> </ul> | <ul style="list-style-type: none"> <li>Mass migration from homeland to multiple destinations</li> <li>Communities of voluntary emigrants bonded by common heritage</li> </ul> | <ul style="list-style-type: none"> <li>Younger workforce in emerging economies; aging workforce in developed economies</li> <li>Creates educational, skills dividends and deficits</li> </ul> | <ul style="list-style-type: none"> <li>Innovations created for or by emerging markets and then imported to developed markets</li> </ul> |



## Hyperconnectivity

**We are all instantly, constantly, globally connected.**

### Measurability

- Data mining and analytics enable new types of data to be analyzed.
- What gets measured is what gets acted on.

### 24/7 Global Workplace

- Blurring of public and private lives.
- Achieving work/life balance.
- Data privacy issues.

# Role of Global HR



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Help create the organization's global strategy.

Align HR processes and activities with that strategy.

Enhance communication between the organization and its stakeholders.

Ensure that HR can fulfill its role and demonstrate its value.

Adapt to the cultural and legal contexts of each area of the global organization.

# Push and Pull Factors



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- Saturated local markets
  - Increased cost pressures
  - Decreased local access to materials and talent
  - Restrictive government policies
  - Trade agreements that increase domestic competition
  - Globalized supply chain
- Greater strategic control
  - Policies promoting outward foreign investment
  - Trade agreements that offer protection of intellectual property





## Ethnocentric

- Headquarters maintains tight control over subsidiaries.
- “One best way.”

## Polycentric

- Subsidiaries develop strategies consistent with local business practices and cultures.
- “Many best ways.”

## Regiocentric

- Communication and coordination are high within the region but not between regions and headquarters.

## Geocentric

- Headquarters and subsidiaries form a network, each contributing specific expertise.
- “Team way.”



## Global Integration

### Key Elements

- Consistency of approach
- Standardized processes
- Common corporate culture across global operations

### Advantages

- Economies of scale
- Integrated value chain activities
- Serve globally integrated customers
- Global branding
- Shared organizational capabilities and knowledge
- Better quality assurance
- Leverage global assets for local competition



## Local Responsiveness

### Key Elements

- Adapt to needs of local markets
- Allow subsidiaries to develop unique products, structures, and systems

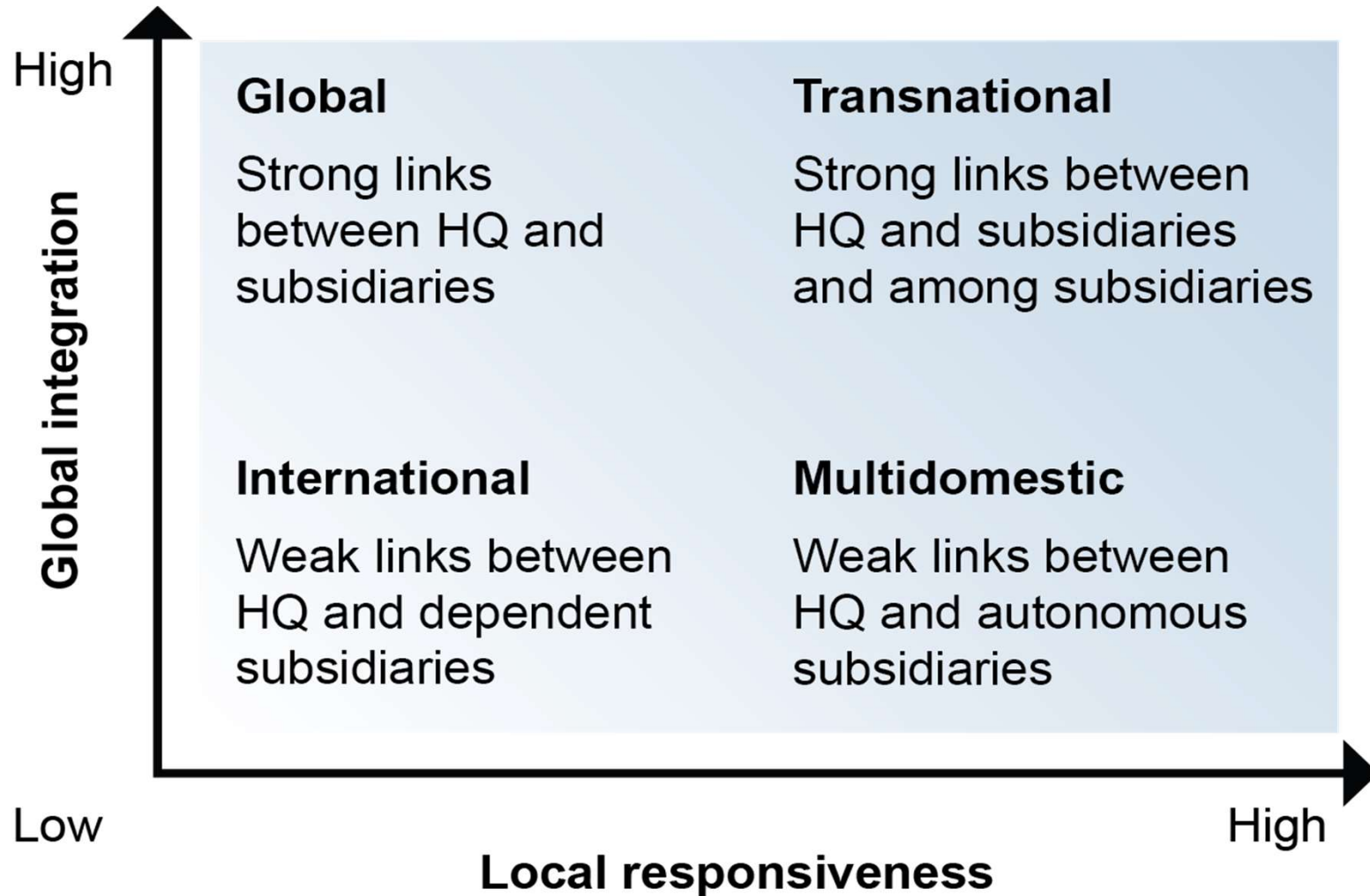
### Advantages

- Better respond to local customer needs or specialized local distribution demands
- Gain efficiencies from using local substitute products and components, local workforce, local networks
- Better/easier compliance with local laws and regulations

# GI-LR Matrix



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## International Strategy

- Low in global integration; low in local responsiveness.
- Foreign divisions in host countries are seen as “appendages” to home country.
- Strategy, research and development, management, and management culture derive from home country.



## Multidomestic Strategy

- Low in global integration; high in local responsiveness.
- Decentralized portfolio of subsidiaries that operate with fair degree of independence from each other and from headquarters, which remains in home country.
- Knowledge is shared on local rather than global level.



## Global Strategy

- High in global integration; low in local responsiveness.
- “Hub and spoke” relationship between headquarters and subsidiaries; headquarters integrates operations to take advantage of conditions in subsidiary markets and standardizes products or services.

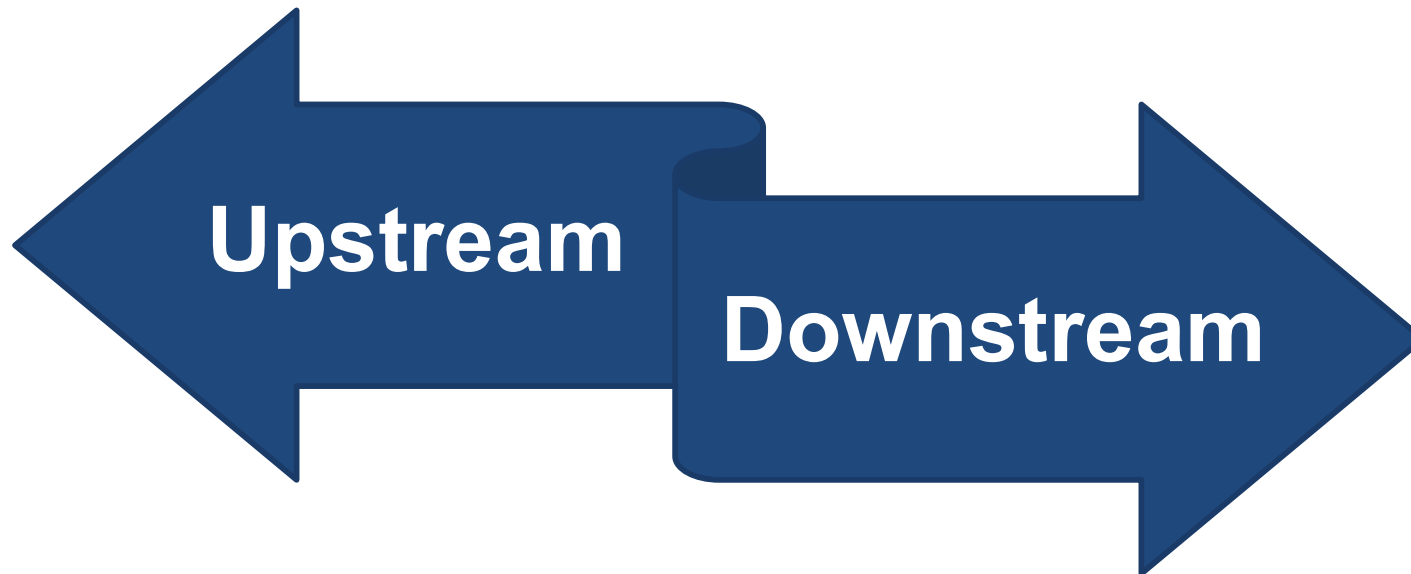




## Transnational Strategy

- High in global integration; high in local responsiveness.
- Locates value chain activities in most advantageous geographic locations.
- Subsidiaries can adapt global products and services to local markets.
- Best practices and knowledge are shared throughout organization.





Upstream decisions made at headquarters:

- Strategy and coordination
- Standardization of processes and integration of resources

Downstream decisions made locally:

- Adapting strategic goals and plans to local realities

# Global-Local Models



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- Embraces diversity in management of people, products/services, and branding.
- Product/service offerings and brand identity may be adjusted for local cultures.

Are underlying operations integrated across locations?

- Technology platforms
- Business performance metrics
- HR systems

# Outsourcing



## What is it?

- Transfers portions of work (e.g., processes or production) to outside suppliers rather than completing it internally
- Contracts out (or subcontracts) activities

## Why is it done?

- Reduces costs
- Frees up personnel and resources for other activities

# Offshoring



## What is it?

- Relocating processes or production to another country (e.g., from developed countries to distant developing countries)

## Why is it done?

- Lower costs
- Closer proximity to production resources
- More favorable economic climate for taxation
- Financial incentives
- Access to talent
- Round-the-clock shifts
- “Follow the sun”

## What is changing?

- Eroding cost-saving dynamics
- Creation of a new middle class in offshoring destinations
- Political fallout in developed countries

# Onshoring



## What is it?

- Relocation of business processes or production to a lower-cost location inside the same country as the business
- Sometimes called “home-shoring”
- May include employees working from home

## Why is it done?

- Lower operation costs
- Benefits of having local employees

# Near-Shoring



## What is it?

- Contracting a part of business processes or production to an external company located in a country that is relatively close

## Why is it done?

- Similar financial and legal constraints or trade agreements that provide social and economic stability
- Shared cultural values and similar mindset
- Proximity benefits (e.g., time differences and reduced travel costs)

# HR Due Diligence in Moving Work



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|                                   |  |  |
|-----------------------------------|--|--|
| <b>Cost and quality</b>           | <ul style="list-style-type: none"> <li>✓ Wage structure</li> <li>✓ Tax structure</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Real estate</li> <li>✓ Infrastructure</li> </ul>  |
| <b>Sociopolitical environment</b> | <ul style="list-style-type: none"> <li>✓ Government receptivity and regulations</li> <li>✓ Ethics in politics and business</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Quality of life</li> <li>✓ Accessibility</li> </ul>   |
| <b>Risk levels</b>                | <ul style="list-style-type: none"> <li>✓ Political and labor unrest</li> <li>✓ Natural disasters</li> <li>✓ IT security</li> <li>✓ Personal/property security, intellectual property rights</li> </ul> | <ul style="list-style-type: none"> <li>✓ Economic stability (e.g., currency fluctuations)</li> <li>✓ Regulatory stability</li> </ul>                       |
| <b>Talent pool</b>                | <ul style="list-style-type: none"> <li>✓ Language and cultural differences</li> <li>✓ Size of labor force with required skills</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Size of offshore sector and share of exports</li> <li>✓ Availability of qualified vendors for services</li> </ul> |

# Managing Global Assignments



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| Strategic-Systematic   | Tactical-Reactive  |
|--|--|
| Approach as long-term investments.   | Approach as short-term expenses.   |
| Develop executives with global perspectives to create and manage competitive strategies. | Quick-fix approach to short-term foreign operation problem.                              |
| Improve coordination among home office and foreign operations.                           | Randomly and haphazardly perform assignment functions, shifting focus as problems arise. |
| Disseminate information, technology, and values throughout worldwide organization.       | Fail to integrate worldwide organization's values, technology, products, and brand.      |



# Types of Global Assignments



- **Globalists:** Spend entire career moving from one locale to another
- **Local hires:** Host-country nationals
- **Short-term assignees:** Less than a year but more than a few weeks
- **International assignees:** Traditional expatriates on one- to three-year assignment
- **Commuters:** Travel across country border for work regularly
- **Just-in-time expatriates:** Ad hoc or contract workers hired for single assignment

# Global Assignment Guidelines



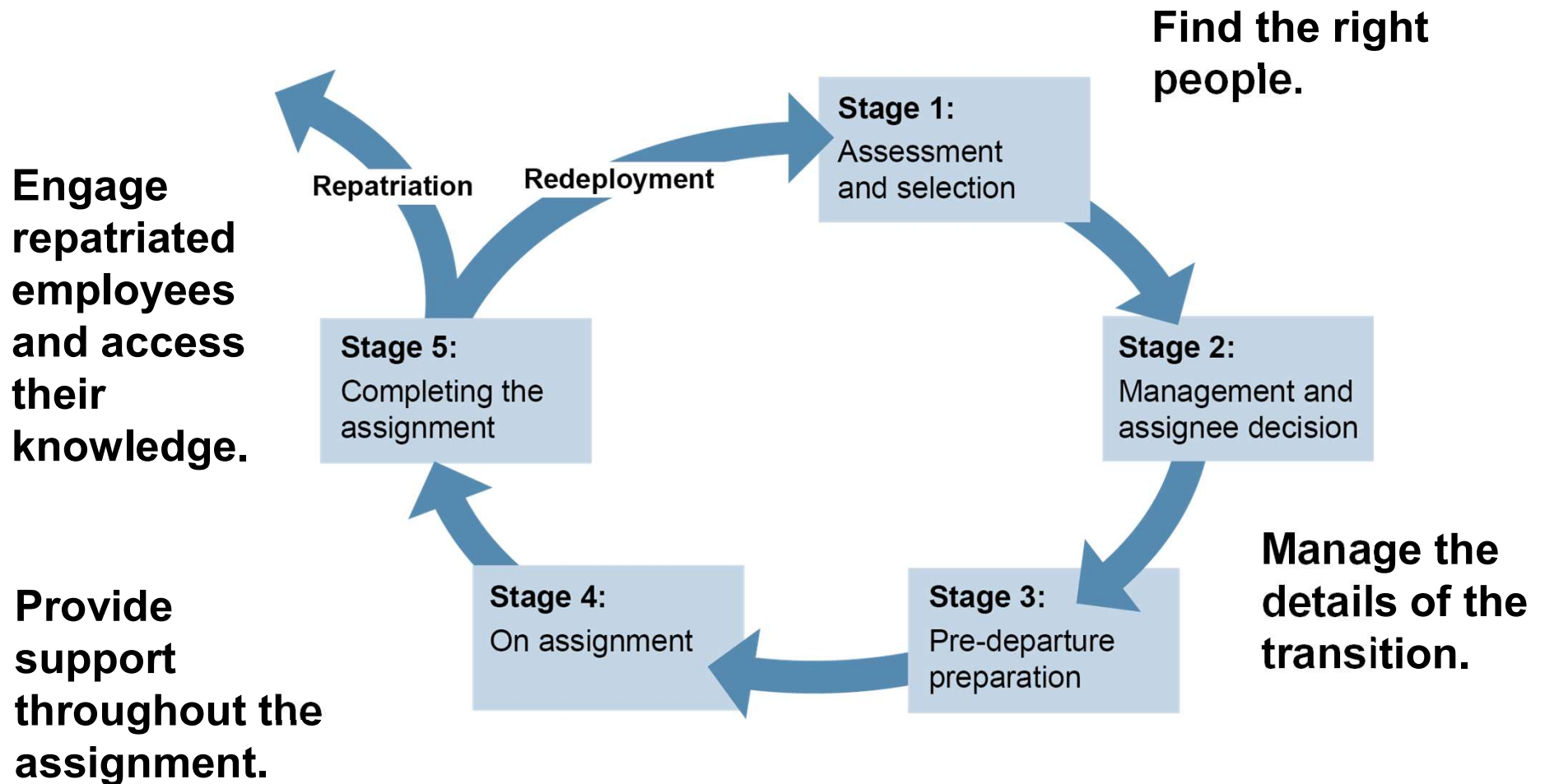
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- View assignments as a process, not an activity.
- Recognize and consider all dimensions of the assignment experience.
- Conduct thorough and professional assessments of candidates.
- Establish and maintain realistic expectations.
- Provide training.
- Provide appropriate health and safety support.
- Provide well-planned, ongoing training and support.
- Plan, prepare for, and support repatriation.
- Address problems quickly, thoroughly, and responsively.

# Global Assignment Process



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1. Develop the selection criteria.

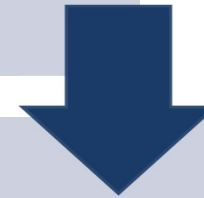
2. Involve the right people.

3. Choose the best selection methods  
and tools.

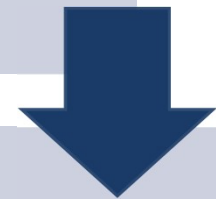
4. Complete the assessment/  
make a recommendation.



Analysis of the costs and benefits of the assignment



Preparation of the assignment plan



Candidate acceptance or rejection of the assignment offer

# Global Assignees: Pre-Departure Preparation



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## **Visas and work permits**

Adequate time to obtain the necessary documents and awareness of expiration dates

## **Security briefings**

Briefings about personal and family safety abroad and business aspects of security

## **Cross-cultural counseling**

Counseling before and during the assignment to increase the probability of success

# Global Assignees: On Assignment



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## Honeymoon

Everything seems new and exciting.



## Culture shock

Challenges of living and working abroad become clear.



## Adjustment

Understanding host-country norms and patterns and how to get things done.



## Mastery

Ability to participate fully and comfortably in the host country.

# Global Assignees: Completing the Assignment



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## Repatriation

- Involves reintegrating the employee back into the home country
- Includes adjustment to a new job and readjustment to the home culture and conditions

## Redeployment

- Involves deployment to:
- A different global location
  - A new location or new position in the current host country





# Discussion



An HR manager works in South Africa for a U.S.–based company and reports to the owner. The manager has recently had two experiences with the owner that have left the manager puzzled about the next best step.

In the first instance, the owner ordered HR to terminate a local employee who had resisted the owner’s marketing ideas. “Just find a reason and fire him,” the owner says.

# Discussion



In the second instance, the owner directs HR managers in all overseas operations to roll out a 360-degree assessment program. The owner believes this assessment approach has been very effective in the U.S. and will improve management performance in the company's remote operations.

The HR manager has delayed responding to the owner about these two issues for a couple of days but must act soon.

# Discussion



How should the HR manager advise the owner on the termination issue?

- A. Present the issue as a matter of risk management.
- B. Review the employee's records to see if there are grounds for termination.
- C. Tell the owner that this is not the way disagreements are handled in South Africa.
- D. Ask the company's lawyer to speak with the owner and change his mind.



**The correct answer is A.** This termination action is a risk that could harm the company. The company will probably be violating an employment contract and will be subject to economic penalties. The issue will also tarnish the employer brand in that country. This answer will build HR's credibility and value with the owner and demonstrates the Consultation competency.

**B** is unethical and a violation of HR's responsibilities to provide sound guidance to the organization's leader.

**C** is truthful from a cultural perspective but does not address the risk management issues.

**D** is incorrect. This type of issue is clearly an HR responsibility, and the manager should not try to transfer it to someone else.

# Discussion

How should the HR manager respond to the direction about implementing 360-degree feedback?

- A. Say that it's a good idea that is worth trying and learning from.
- B. Implement the system but review feedback before forwarding it to the home office.
- C. Call the owner to discuss why cultural differences may make implementing this approach difficult.
- D. Send a "Reply all" e-mail, explaining the academic grounds for the approach used in South Africa.



**C is the correct answer.** The HR manager needs to provide honest feedback that could help avoid an action that, at best, would not result in the desired outcome and, at worst, could damage employee engagement. In a high power distance culture, employees are unlikely to provide candid feedback about superiors' performance.

**A** only protects the HR manager from the owner's reaction. The manager is not providing honest feedback.

**B** is incorrect. The HR manager would be neglecting responsibility and also committing an ethically questionable act by censoring feedback.

**D** would help educate the owner about the cultural differences that underlie approaches to performance assessment. However, it is probably a mistake to make this argument with the entire group rather than creating a dialogue with the owner.