

# The Global Mindset



A **global mindset** is the ability to take an international, multidimensional perspective that is inclusive of other cultures, perspectives, and views.





- Seeking a broader picture
- Accepting contradictions
- Trusting systems, procedures, and norms rather than structure
- Valuing multicultural teamwork
- Viewing change as an opportunity
- Welcoming new ideas and opportunities to learn
- Behaving inclusively rather than exclusively

# Benefits of a Global Mindset



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- Allows organization to identify global opportunities.
- Brings key operational benefits.
- Makes organization:
  - More proactive.
  - More alert to the entry of nontraditional competitors into local market.
  - More open to diversity.

# Developing and Promoting a Global Mindset



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**Study and  
understand  
your culture  
and how it  
relates to  
others.**

**Promote a  
global  
mindset  
within your  
organization.**

**Study and  
understand  
global  
business  
trends and  
forces.**

# Global HR Skills



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Develop a  
strategic view  
of the  
organization.

Develop a  
global  
organizational  
culture.

Secure and  
grow a safe and  
robust talent  
supply chain.

Use and adapt  
HR technology.

Develop  
meaningful  
metrics.

Develop policies  
and practices to  
manage risks.

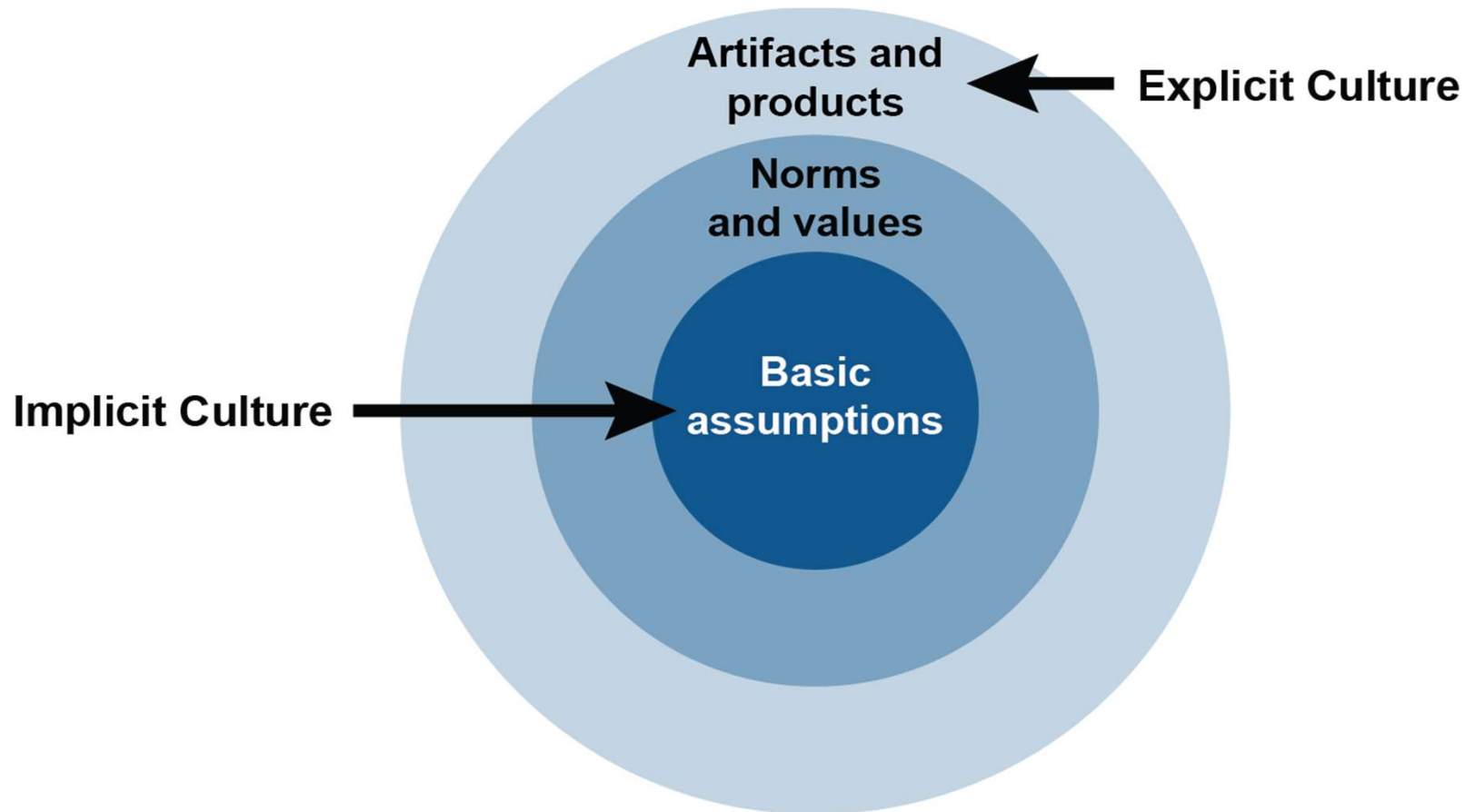
# Culture



Set of beliefs, attitudes, values, and perspectives shared by members of a group and passed down from one generation to the next

- Nations
- Geographical regions
- Organizations
- Industries
- Smaller divisions of these groups

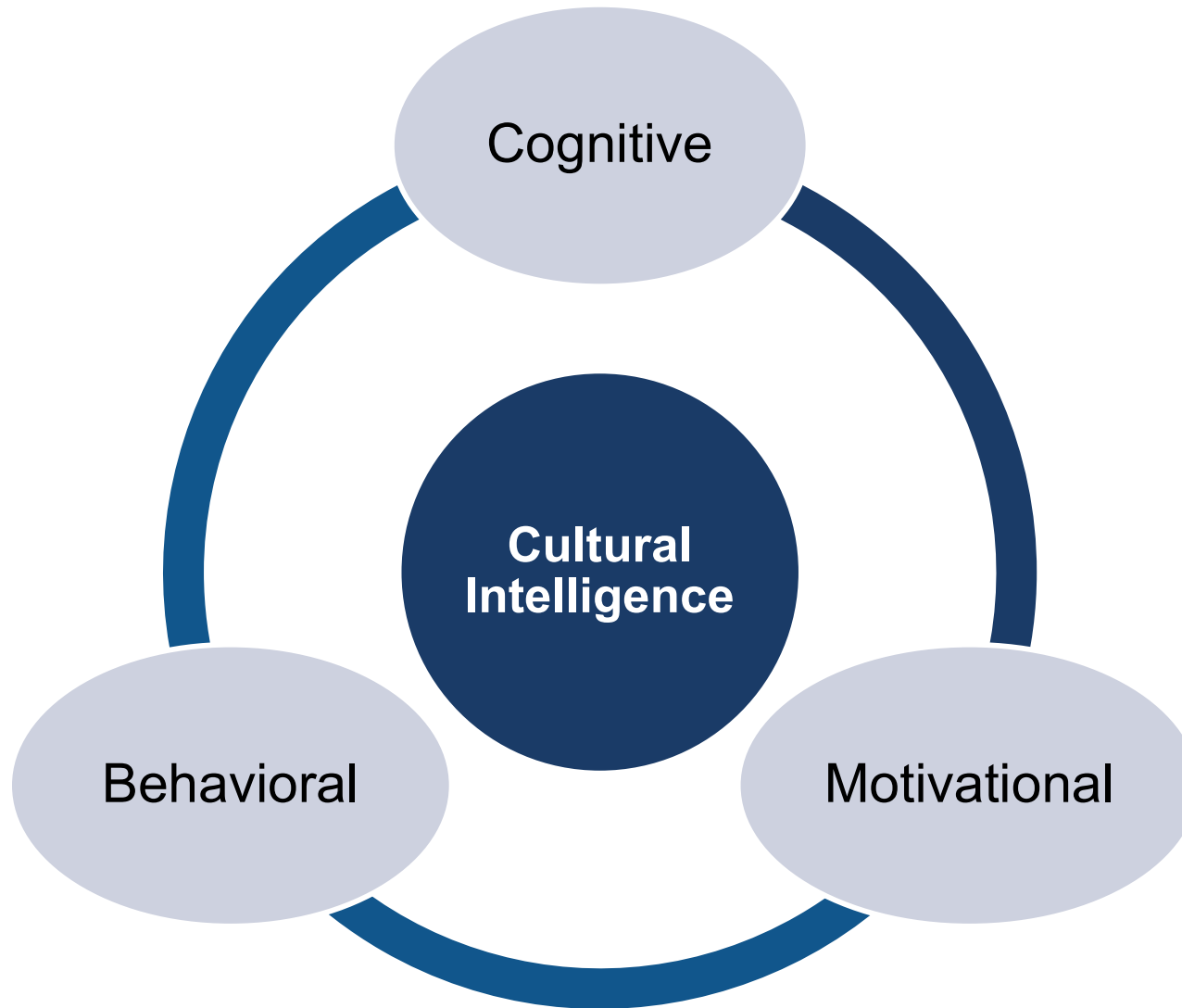
# Layers of Culture



# Cultural Intelligence



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## High-Context Cultures

- Complex, long-standing networks of relationships.
- Rich history of common experience and implicit rules.
- What you say may not be what you mean.
- *Examples:* China, Japan, France, many Latin American countries.

## Low-Context Cultures

- Relationships have less history.
- Background information is packaged with explicit communication.
- What you say is what you mean.
- *Examples:* United States, United Kingdom, Canada.

### Impacts:

Negotiations, 360-degree performance reviews, training meetings

# Hofstede's Dimensions of Culture



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Dimension	Definition
<b>Power distance</b>	Extent to which unequal distribution of power is accepted.
<b>Individualism/collectivism</b>	Degree of group integration: Individualism values self-reliance, collectivism values group loyalty.
<b>Uncertainty avoidance</b>	Tolerance for uncertainty, ambiguity; comfort with new, unexpected situations.
<b>Masculine/feminine</b>	<ul style="list-style-type: none"> <li>• Masculine: ambitious; concerned with work and achievement.</li> <li>• Feminine: nurturing; concerned with quality of life and consensus.</li> </ul>
<b>Long-term/short-term</b>	<ul style="list-style-type: none"> <li>• Long-term: Values thrift, perseverance; orders relationships by status and values.</li> <li>• Short-term: Makes decisions based on likely results; values pragmatism.</li> </ul>
<b>Indulgence/restraint</b>	<ul style="list-style-type: none"> <li>• Indulgence: Enjoyment of life and freedom in gratifying desires.</li> <li>• Restraint: Suppression of desires in order to meet social norms.</li> </ul>

# Trompenaars's and Hampden-Turner's Dilemmas



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Universal vs. particular

Individual vs. communitarian

Neutral vs. affective

Specific vs. diffuse

Achieved vs. ascribed

Sequential vs. synchronic

Internal vs. external

# Challenge of Culture



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**Ethnocentrism and  
parochialism**  
(limited world views)

**Cultural stereotypes**  
(judgmental  
characterizations)

**Cultural determinism**  
("The culture made me  
do it.")

**Cultural relativism**  
(Everything varies with  
the situation.)

Cultural disconnects can lead to “**malicious compliance**”—agreeing to programs from headquarters and then sabotaging their success.

# Dilemma Reconciliation



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## Recognize

Create awareness of cultural differences.

## Respect

Appreciate the value of difference.

## Reconcile

Resolve differences by finding a common path.

## Realize and root

Implement solutions and institutionalize them.

# Types of Legal Systems



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## Civil Law

- Based on written codes approved by legislative bodies.
- Most prevalent form of law in the world.

## Common Law

- Based on judicial decisions.
- Evolves over time.
- Forms the basis of legal systems in United Kingdom and former colonies.

## Religious Law

- Based on religious beliefs and conventions (a mix of written codes and interpretations).
- Can influence HR policies and practices.

# Rule of Law



No individual is beyond the reach of the law.

Authority is exercised only in accordance with written and publicly disclosed laws.

Laws are enforced through due process procedures.

Government is thereby restrained from abusing power.



The right of a legal body to exert authority over a territory, subject matter, or persons or institutions.

Implications for organizations:

- Host- rather than home-country laws may apply to corporate activities.
- For global organizations, jurisdictional disputes may arise.
- Two important concepts:
  - Conflict of laws
  - Forum or jurisdiction shopping



# Levels of Law



## Within a nation

- National laws
- Subnational laws

## Between/among nations

- Extraterritorial\*
- Regional/supranational
- International

\* Extraterritorial laws extend the power of a country's laws over its citizens **outside that country's sovereign national boundaries.**

Let's discuss a Competency Connection related to Global and Cultural Effectiveness.

- A bilingual HRBP was asked to support a supervisor in giving a verbal warning to a Spanish-speaking employee.
- The HRBP asked questions to understand if addressing a perceived language issue was appropriate in the warning.
- The HRBP explained to the supervisor that the language issue was not at fault and could not fairly be raised during the verbal warning process.
- In addition, by speaking with the employee, the HRBP diagnosed the real problem and suggested constructive responses.



- What process did the HRBP use to attempt to address the situation? How was the HRBP able to effectively apply the steps of that process?
- What aspects of cultural intelligence did the HRBP rely on when deciding how to address the situation?

# Value

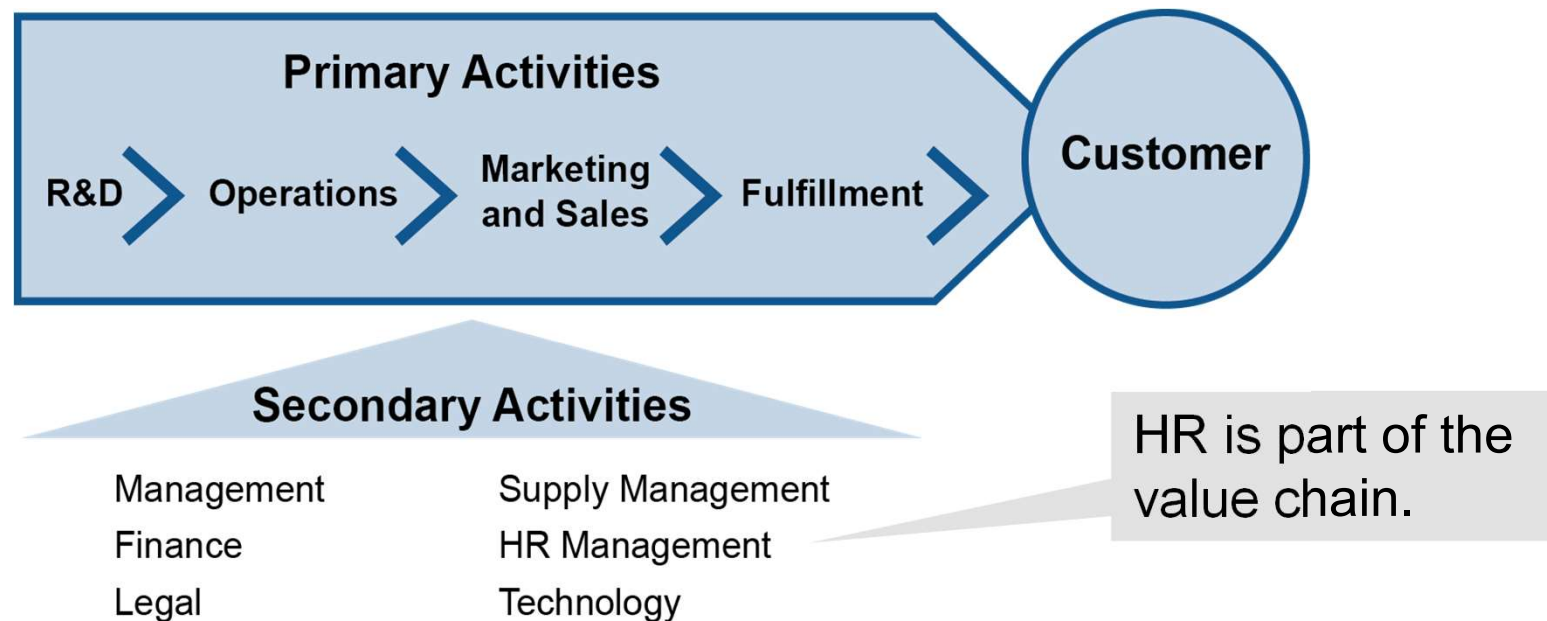


- **Value** generally refers to organizations' success in meeting their strategic goals.
- Both for-profit and not-for-profit organizations must produce value.
- Value can vary by organization.
- It can be influenced by the organization's mission.

# Value Chain



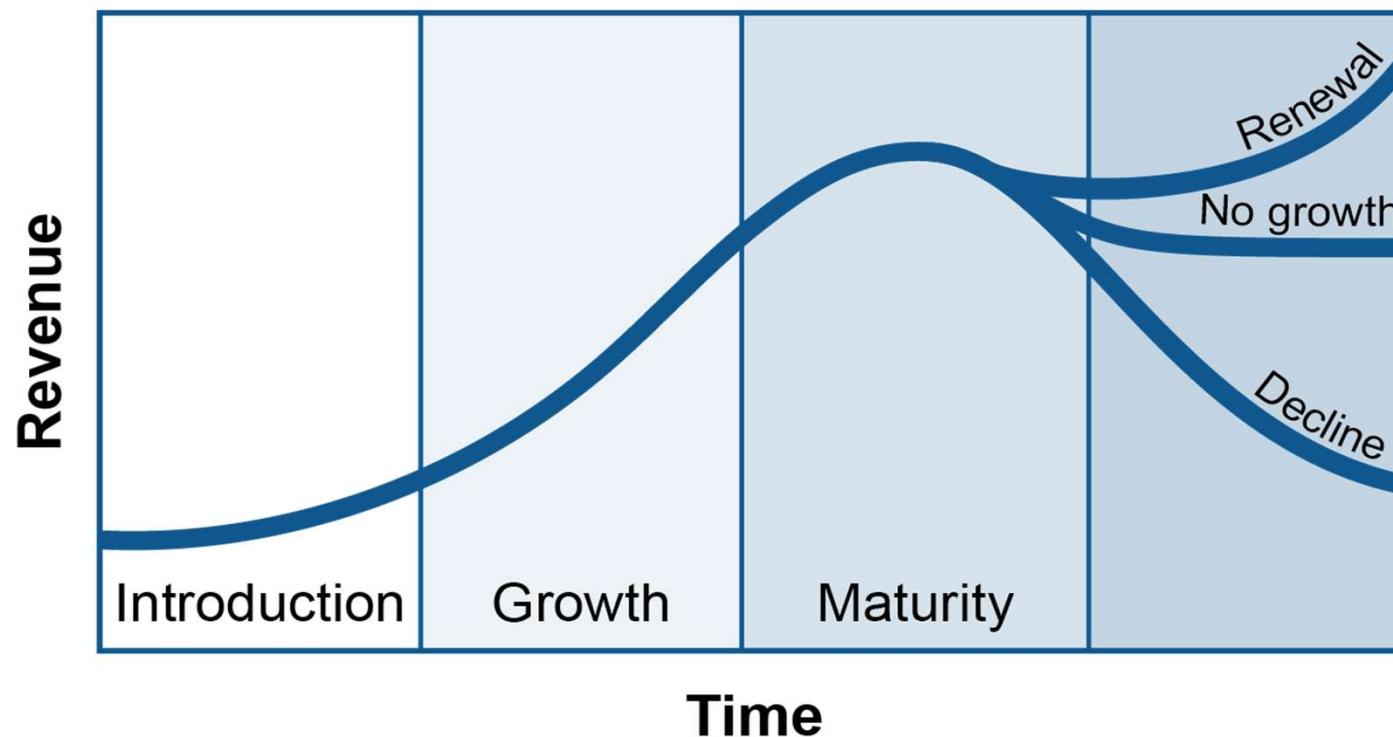
- The organizational process used to create its product or services is the **value chain**.
- Value chains may vary in structure.
- Some include external supply chain and/or delivery partners.





## Know where you are in the life cycle.

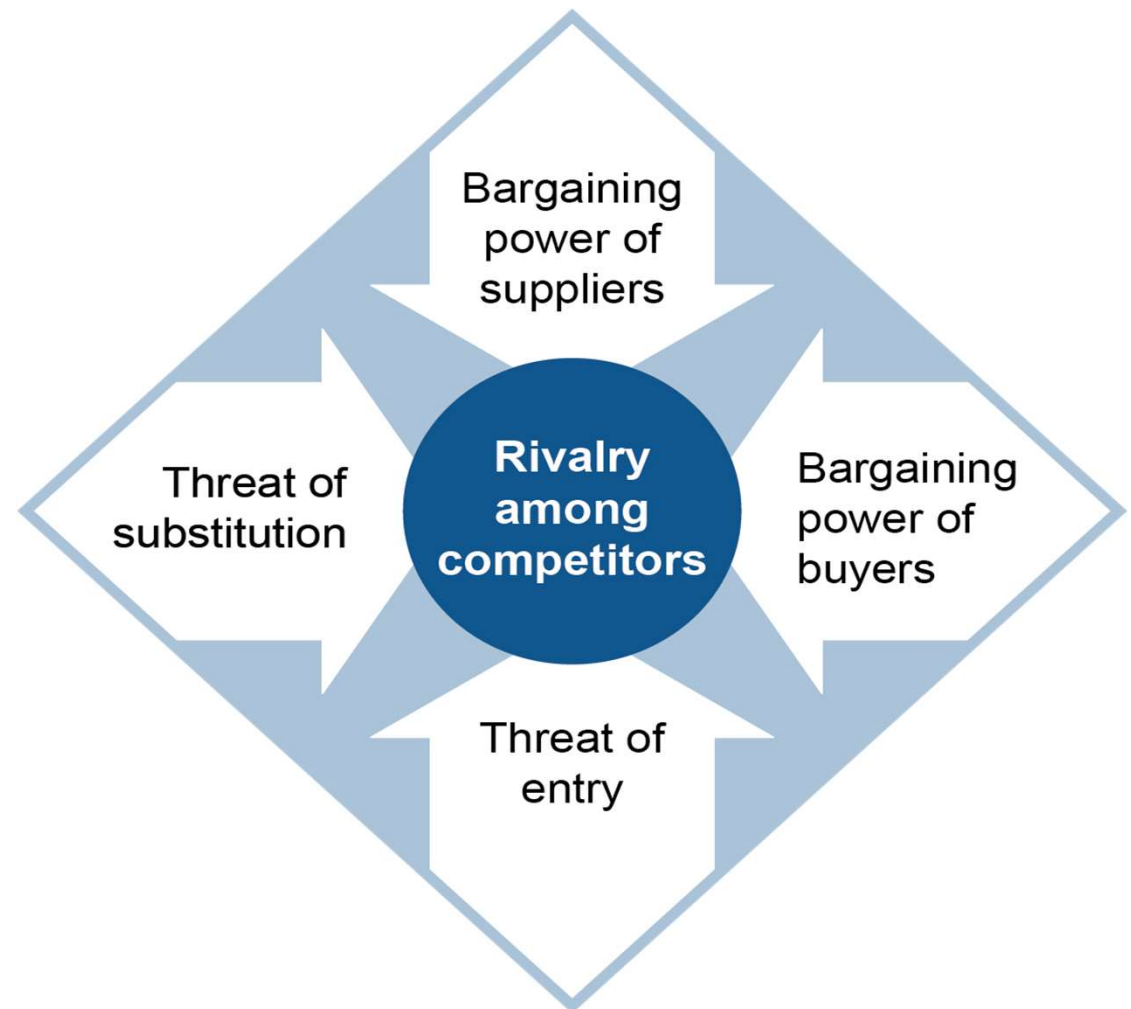
Needs change as industries, businesses, and products pass through predictable cycles.



# Porter's “Five Forces”



- “Five Forces” framework reveals information about dynamic forces within industries.
- Analysis can be used to identify opportunities and threats, foresee possible changes in competitive landscape, and plan strategy.



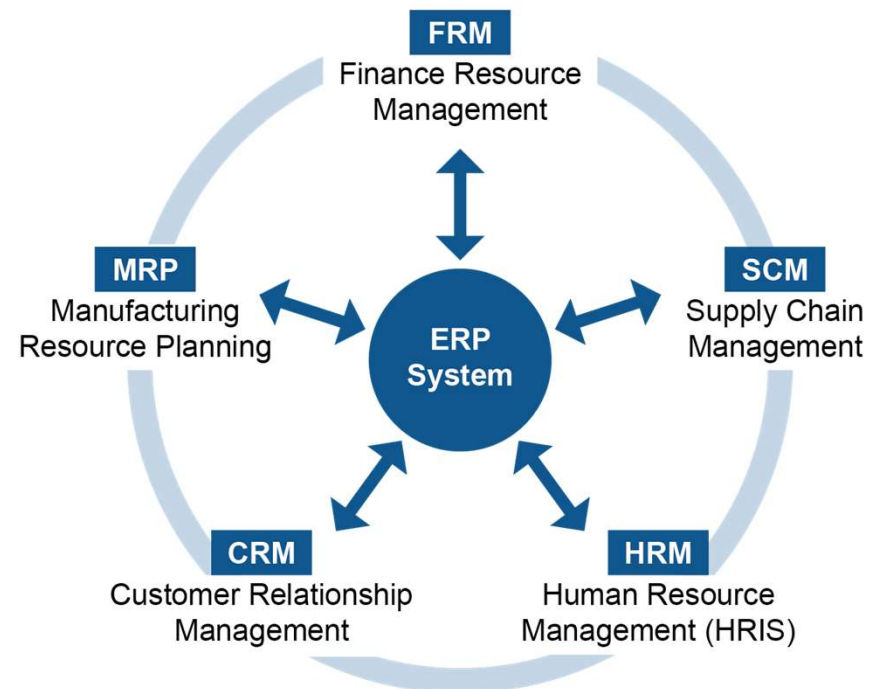




The ability to use information to gain a deeper understanding of the organization and its parts.

Includes:

- Data gathering.
- Data warehousing.
- Query and reporting capabilities.







Budget Type	Characteristics
<b>Incremental</b>	Traditional approach; prior budget is basis for next budget.
<b>Zero-based</b>	Each unit or goal is ranked, and available funds are allocated, with budgets starting at zero.
<b>Activity-based</b>	Based on how much it costs to perform activities; funding based on strategic significance of activities.
<b>Formula-based</b>	Different units receive varying percentages of budget.



**The budgeting process requires understanding the organization's practices, strategy, and environment.**

- How does the organization allocate costs?
- Which costs are variable and which are fixed for the budget year?
- When do costs occur?
- What organizational and functional strategic plans will affect HR?
- What risk factors affect the budget?

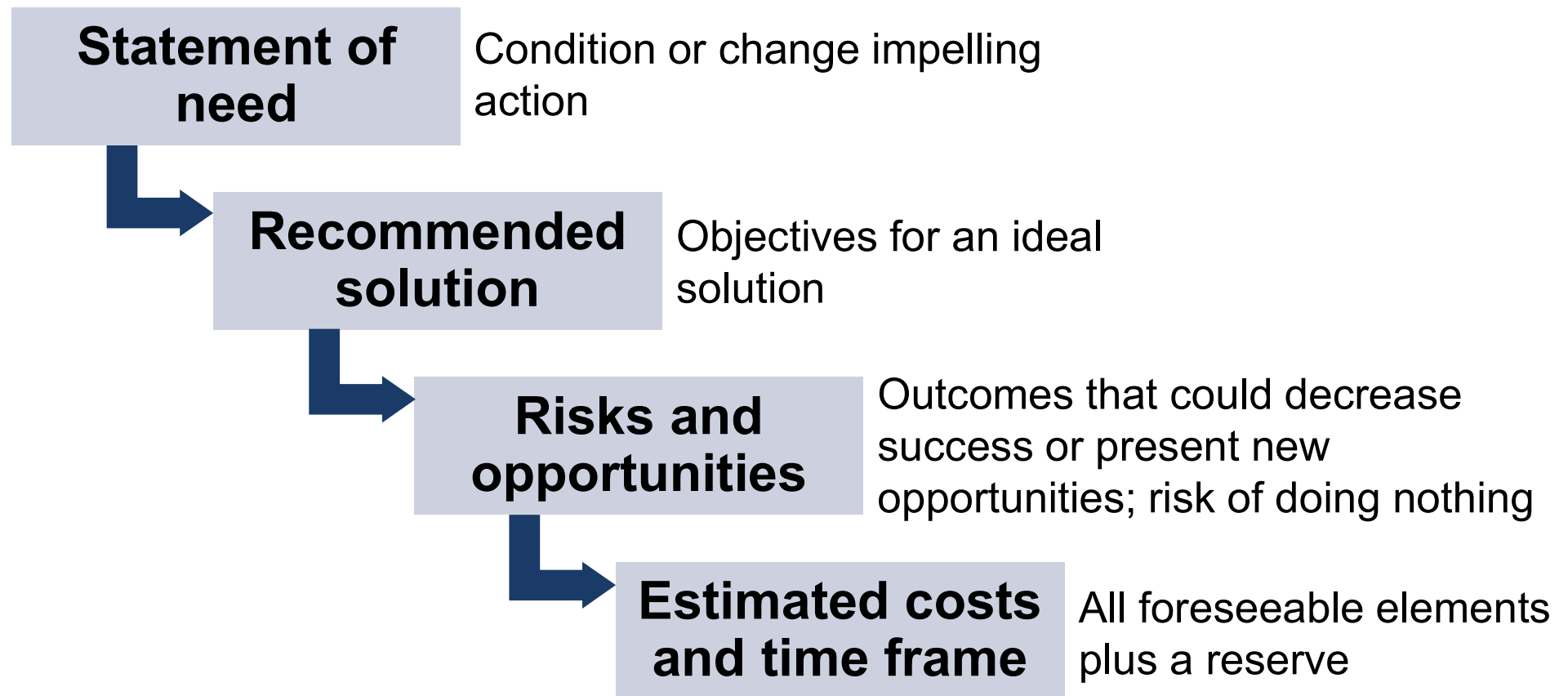


# Business Case



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Presentation to management that establishes that a specific problem exists and argues that the proposed solution is the best way to solve the problem in terms of time, cost efficiency, and probability of success



# Sample Balance Sheet



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ABC Manufacturing Company		
Balance Sheets	In thousands (000)	
December 31, Year	Year 1	Year 2
<i>Cash and cash equivalents</i>	\$ 133,900	\$ 128,600
Raw materials inventory	10,800	13,000
Work-in-process inventory	5,400	16,600
Finished goods inventory	25,000	23,700
<i>Total inventory</i>	\$ 41,200	\$ 53,300
Accounts and notes receivable	46,200	50,300
Doubtful accounts	<500>	<400>
<i>Total current assets</i>	\$ 220,800	\$ 231,800
Gross plant, property, and equipment	60,000	70,000
Accumulated depreciation	<6,400>	<10,400>
<i>Net plant, property, and equipment</i>	\$ 53,600	\$ 59,600
<b>Total assets</b>	<b><u>\$ 274,400</u></b>	<b><u>\$ 291,400</u></b>
Accounts payable	59,700	65,200
Short-term notes payable	12,000	16,000
<i>Total current liabilities</i>	\$ 71,700	\$ 81,200
Long-term debt	80,000	80,000
Stockholders' equity (includes retained earnings)	122,700	130,200
<i>Total long-term debt and stockholders' equity</i>	\$ 202,700	\$ 210,200
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 274,400</u></b>	<b><u>\$ 291,400</u></b>

# Balance Sheet Concepts



$$\text{Assets} = \text{Liabilities} + \text{Equity} \text{ or } \text{Equity} = \text{Assets} - \text{Liabilities}$$

<b>Assets</b>	What an organization owns
	Can be tangible or intangible
	Can include investments
	Can include what is owed to the organization ( <b>accounts receivable</b> )
<b>Liabilities</b>	What an organization owes
	Can include items such as rent, loans, tax debts, etc.
	Can include what vendors/suppliers are owed ( <b>accounts payable</b> )
<b>Equity</b>	Represents what a company owes to either its owner(s) or its shareholders
	Represents what is left of a company's assets after its liabilities have been discharged



Basic form is:

$$\text{Net income} = \text{Revenues} - \text{Expenses}$$

- Provides the “bottom line” look at how the organization is performing.
- Also known as the **profit and loss statement (P&L)**.



# Sample Income Statement



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ABC Manufacturing Company		
Income Statements	In thousands (000)	
	FY 1	FY 2
<b>Sales, gross</b>	<b>285,500</b>	<b>312,000</b>
Sales discounts, returns, and allowances	<14,300>	<15,600>
<b>Revenue (net sales)</b>	<b>271,200</b>	<b>296,400</b>
Cost of goods sold (COGS)	<167,400>	<182,200>
<b>Gross profit</b>	<b>103,800</b>	<b>114,200</b>
Selling expenses	<29,800>	<32,600>
Salaries	<19,000>	<20,700>
Lease expense	<10,800>	<11,900>
<b>Total operating expenses</b>	<b>&lt;59,600&gt;</b>	<b>&lt;65,200&gt;</b>
Depreciation	<3,400>	<4,000>
<b>Earnings before interest and taxes (EBIT)</b>	<b>40,800</b>	<b>45,000</b>
Interest expense	<4,300>	<4,400>
<b>Pretax income</b>	<b>36,500</b>	<b>40,600</b>
Taxes	<12,000>	<21,100>
<b>Net income</b>	<b>24,500</b>	<b>19,500</b>

# Sample Cash Flow Statement



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ABC Manufacturing Company		
Statements of Cash Flow	In thousands (000)	
Year	Year 1	Year 2
After-tax income	\$ 25,500	\$ 19,500
Depreciation add-back	3,400	4,000
(Increase)/decrease in inventory	(7,900)	(12,100)
(Increase)/decrease in accounts receivable	(7,700)	(4,100)
Increase/(decrease) in accounts payable	10,100	5,500
<b>Net cash flow from operating activities</b>	<b><u>23,400</u></b>	<b><u>12,800</u></b>
Capital expenditures	(10,000)	(10,000)
<b>Net cash flow from investments</b>	<b><u>(10,000)</u></b>	<b><u>(10,000)</u></b>
Cash flow from operations and investment	13,400	2,800
Additional equity capital	—	—
Less dividends paid	(10,000)	(12,000)
Increase/(decrease) in long-term debt	—	—
Increase/(decrease) in short-term notes	2,000	4,000
<b>Net cash flow from financing activities</b>	<b><u>(8,000)</u></b>	<b><u>(8,000)</u></b>
<b>Cash flow from operations, investments, and financing activities</b>	<b><u>5,400</u></b>	<b><u>(5,200)</u></b>
<b>Beginning cash balance</b>	<b>128,500</b>	<b>133,900</b>
<b>Ending cash balance</b>	<b><u>\$ 133,900</u></b>	<b><u>\$ 128,700</u></b>

Combined cash flow is subtracted from the ending cash balance of the previous period, which is the beginning cash balance of the current period.





- Shows incoming and outgoing cash in the areas of operations, investing, financing.
- The balance, trends, and relationships in areas of the statement are examined for signs of sound or weak management.
  - Negative cash flow in operations could indicate that sales are too low and/or the cost of production is too high.
  - Negative cash flow in financing could show that organization is relying too heavily on borrowing.

# Financial Ratios



Financial ratios can be used to analyze an organization's performance.

Excessive use of financial measures can overemphasize the importance of short-term results.

Ratios are often industry-specific, so HR professionals should understand industry metrics and how organization compares with similar enterprises.

# Sample Financial Ratios



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- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Current</li><li>• Debt to asset</li><li>• Debt to equity</li><li>• Accounts receivable turnover</li><li>• Gross margin</li><li>• Earnings before interest, taxes, depreciation, amortization (EBITDA) margin</li></ul> | <ul style="list-style-type: none"><li>• Profit margin</li><li>• Return on investment (ROI)</li><li>• Earnings per share (EPS)</li><li>• Price to earnings (P/E)</li></ul> |
|--|---|

# Sample Nonfinancial Metrics



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- Market share
- Reputation among stakeholders
- Brand awareness
- Employer brand
- Social responsibility
- Quality, customer relations, innovation
- Efficiency
- Activity ratios
- Employee retention and job satisfaction
- Employee engagement

Let's discuss a Competency Connection related to Business Acumen.

- An HR director (HRD) in a nonprofit organization wanted to propose a full-service HRIS.
- The HRD met with each leader to uncover their concerns about the acquisition.
- The HRD analyzed proposals from four vendors and built a cost-benefit case for leadership.
- The HRD met individually with leaders to address lingering concerns about impacts.



- How was the HRD able to use business intelligence when leading the selection process?
- Without adequate business intelligence, would the HRD have been successful in convincing leadership to invest in the HRIS system? Why or why not?
- What steps did the HRD take in order to craft a strong business case for the HRIS?