

HRM FOR GLOBAL WORK

HUMAN RESOURCE MANAGEMENT CHALLENGES IN GDW

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Abstract: International environments are changing rapidly. Nothing is permanent, and the cause of yesterday's success may be the cause of tomorrow's failure. New models of management systems should be created because many of the assumptions on which management practice were based are now becoming obsolete. Globally distributed work, a process fostered and spurred by rapid change in the information and communication technology, is making the world economy more interdependent. It brings about the free flow of trade and investment among the nations. The process also results in higher efficiency, increase in productivity, better products and lower prices. For the developing countries, the inflow of funds, new technology and management skills as well as smart partnership have catalysed the rapid development of their economies.

Foreign competition and the need to trade more effectively overseas have forced most corporations and government to become increasingly culturally sensitive and globally minded. To develop and manage a global organization implies developing and managing people who can think, lead, and act from a global perspective, and who must possess a global mind as well as global skills. The argument proposed is that human resource management can and should make a contribution to the competitive strategy of a global village.

Key Words:

GDW, Expatriates, IHRM, Global managers, HCN, PCN

“It is people who are the objects of globalization and at the same time its subjects. What also follows logically from this is that globalization is not a law of nature, but rather a process set in train by people.”

Tarja Halonen

1. INTRODUCTION

When it comes to business, the world is indeed becoming a smaller place. More and more companies are operating across geographic and cultural boundaries. The world has become more competitive, dynamic, uncertain, and volatile than ever before. To be successful, many firms have to compete on the global playing field because the costs associated with the development and marketing of new products are too great to be amortized only over one market, even a large one such as the USA or Europe. Yet there are some products and services that demand accommodation to location, customs, tastes, habits, and regulations. Thus, for many multinational enterprises (MNEs) the likelihood of operating in diverse environments has never been greater. While these scenarios suggest paths that MNEs have indeed taken to being internationally competitive, they are being superseded by the need both to manage globally, as if the world were one vast market, and simultaneously to manage locally, as if the world were a vast number of separate and loosely connected markets. The trend is creating a great deal of challenge and opportunity in understanding and conceptualizing exactly how MNEs can compete effectively. Knowledge of conditions in a variety of countries and knowledge of how to manage both within and across them is the essence of International Human Resource Management. The complexities of operating in different countries and employing different national categories of workers are a key variable that differentiates domestic and international HRM, rather than any major differences between the HRM activities performed.

2. CHARACTERISTICS

Globalization has become identified with a number of trends, most of which may have developed. These include

sion-making to subsidiary units and operations in other countries is necessary in order for country specific adjustments to be made.

4. DOMESTIC AND GLOBAL HRM

In any organization, the primary objective of the HRM function is to ensure that the most effective use is made of its human resources. To achieve this, HR professionals undertake a range of activities around HR planning, sourcing, development, performance management, reward, employee involvement and communications. If the organization has a strategic HR function, these activities will support and inform organizational strategy. Global HR professionals are also used extensively in organizational change and development initiatives.

The Global HR manager will also be working to the same objectives, however, the scope and complexity of their role is increased as a result of working across borders. A useful model of the nature of Global HRM is presented below in Fig.1:

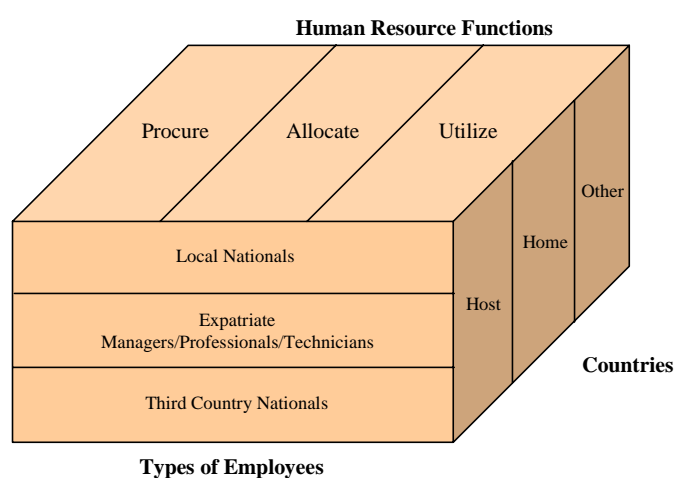


Figure 1: Model of Global HRM

Source: Adapted from P.V.Morgan, 1986. International human resource management: Fact or fiction, Personnel Administrator, 31(9), 44

This depicts Global HRM as having three dimensions:

- The three broad human resource activities: procurement, allocation, and utilization.
- The three national or country categories involved in Global HRM activities: the host country where a subsidiary may be located, the home country where the firm is headquartered, and “other” countries that may be the source of labor or finance.
- The three types of employees of an international firm:
 - Host-country nationals (HCNs): An employee working for a firm in an operation who is citizen of the country where the operation is located, but where the headquarters for the firm are in another country.
 - Parent-country nationals (PCNs) or Expatriates: An employee, working in an operation, who is not a citizen of the country in which the operation is located, but is a citizen of the country of the headquarters organization.
 - Third country nationals (TCNs): A citizen of one country, working in a second country, and employed by an organization headquartered in a third country.

Working in these different dimensions creates far more complicated scenarios for each of the main HR activities listed

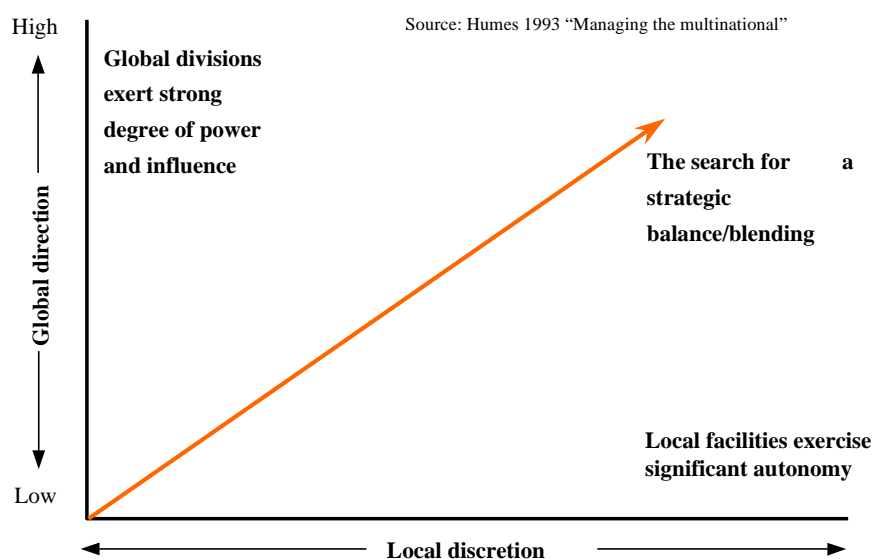


Figure 3: Organizational strategy: for global competitive advantage

Organizations may run their operations as a set of autonomous units, or they may strive for complete integration, depending on factors such as industry type and strategic objectives. The challenge for the global HR manager is to design and implement HR policies and practices that reflect these choices. For a headquarters HR manager in a multi-domestic organization, there would be a relatively small international component to his or her work. A headquarters HR manager in a transnational organization, which strives to achieve true integration alongside sensitivity to local needs, would need to think and act consistently in an international mode. The key challenge for aspiring transnational organizations is to create a “transnational” mindset in their managers to enable them to create a common global corporate vision.

Attitudes of Senior Managers to Global Operations:

A key variable in the nature of the IHRM orientation of an organization lies in the mindsets of the senior managers at headquarters. If senior management does not have a strong international orientation, the importance of international operations may be under-emphasized (or even ignored). This might be the case even in organizations with a truly global geographic scope. In these cases, the organization adopts a predominantly ethnocentric perspective, in which power and control lie with the home country headquarters. HRM practices are based on domestic policies and dispersed throughout the world. In a predominantly ethnocentric organization, the flow of expatriates is from the center, with minimal movement of TCNs. The global culture is in fact the culture of the HQ. It is the job of the Global HR manager in organizations that are striving to become more international to work with senior management to foster a “global mindset” if so desired. The Global HR manager also needs to work closely with his/her HR managers throughout the world to devise and implement HR policies that will contribute to the development of a global organization.

5. FACTORS AFFECTING GLOBAL HR MANAGEMENT

It has been seen and realized that different cultures, economies, political and legal systems presents challenges for effective human resource management. However if done well it can be beneficial to the organizations. The four factors that affect global HR management are:

- **Legal and Political factors:** The nature and stability of political systems vary from country to country. In

	Dominant values	Sample countries	Organizational Features	Reward Practices	Staffing/ Appraisal Practices
Individualism high	<ul style="list-style-type: none"> •Personal accomplishment •Selfishness •Independence •Believe in individual control and responsibility •Belief in creating one's own destiny •Business relationship between employer and employee 	<ul style="list-style-type: none"> United States Great Britain Canada New Zealand 	<ul style="list-style-type: none"> •Organizations not compelled to care for employees' total well-being •Employees look after their own individual interests •Explicit systems of control necessary to ensure compliance and prevent wide deviation from organization norms 	<ul style="list-style-type: none"> •Performance based pay •Individual achievement rewarded •Extrinsic rewards are important indicators of personal success •Emphasis on short-term objectives 	<ul style="list-style-type: none"> •Emphasis on credentials and visible performance outcomes attributed to individual •High turnover; commitment to organization for career reasons •Performance rather than seniority as criterion for advancement •Attempts to assess individual strengths and weaknesses and providing frequent feedback to employee
Individualism low	<ul style="list-style-type: none"> •Team accomplishment •Sacrifice for others •Dependence on social unit •Belief in group control and responsibility •Belief in the hand of fate 		<ul style="list-style-type: none"> •Organizations committed to high-level involvement in workers' personal lives. •Normative rather than formal systems of control to ensure compliance. 	<ul style="list-style-type: none"> •Group based performance is important criterion for rewards. •Seniority based pay utilized •Intrinsic equity guides pay policies •Personal needs affect pay received 	<ul style="list-style-type: none"> •Value of credentials and visible performance outcomes depends on perceived contributions to team efforts •Low turnover. •Seniority play an important role in personnel decisions

Figure5: Individualism :Characteristics and Selected HR Practices

Source: Adapted from Luis R.Gomez-Mejia, David B.Balkin, Robert L.Cardy 2003.Managing Human Resources, Third Edition

• **Uncertainty Avoidance:** It refers to the preference of people in a country for structured rather than unstructured situations.

	Dominant values	Sample countries	Organizational Features	Reward Practices	Staffing/ Appraisal Practices
Uncertainty avoidance high	<ul style="list-style-type: none"> •Fear of random events and unknown •High value placed on stability and routine •Low tolerance for ambiguity •Comfort in security, lack of tension, and lack of contradictions 		<ul style="list-style-type: none"> •Mechanistic structure •Written rules and policies guide the firm •Organizations strive to be predictable •Management avoids to make risky decisions 	<ul style="list-style-type: none"> •Bureaucratic pay policies utilized •Compensation programs tend to be centralized •Little discretion given to supervisor in dispensing pay 	<ul style="list-style-type: none"> •Bureaucratic rules/procedure •Seniority an important factor in hiring and promotions •Limited external hires •Limited use of appraisals requiring judgment •Government regulations limit employer discretion in recruitment, promotion and terminations
Uncertainty avoidance low	<ul style="list-style-type: none"> •Unexpected viewed as challenging and exciting. •Stability and routine seen as boring. •Ambiguity seen as providing opportunities •Tensions and contradictions spur innovation, discovery, and mastery of change 		<ul style="list-style-type: none"> •Less structured activities •Fewer written rules to cope with changing environmental forces •Managers are adaptable and tend to make riskier decisions 	<ul style="list-style-type: none"> •Variable pay a key component in pay programs. •External equity emphasized •Decentralized pay program is the norm. •Much discretion given to supervisors and business units in pay allocations 	<ul style="list-style-type: none"> •Fewer rule/procedures to govern hiring and promotions •Seniority de-emphasized in personnel decisions •Employer provided much latitude in recruitment, promotion, and terminations •External hiring at all levels •Extensive use of appraisals requiring judgment

Figure6: Uncertainty Avoidance: Characteristics and Selected HR Practices

Strategic Human Resource Management involves a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives.

Strategic human resources management is largely about integration and adaptation. Its concern is to ensure that:

- (i). Human resources (HR) management is fully integrated with the strategy and the strategic needs of the firm.
- (ii). HR policies cohere both across policy areas and across hierarchies
- (iii). HR practices are adjusted, accepted, and used by line managers and employees as part of their everyday work.

SHRM refers to “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals. SHRM practices are macro-oriented, proactive and long term focused in nature; views human resources as assets or investments not expenses; implementation of SHRM practices bears linkage to organizational performance; and focusing on the alignment of human resources with firm strategy as a means of gaining competitive advantage

6.1 Main function of Global HRM

After studying the various successes and failures in Global organizations, it has been identified that for in case of Globally Distributed workforce, HRM has the following major functions:

- (A) Recruitment and Selection
- (B) Performance Management
- (C) Compensation
- (D) Repatriation
- (E) Global Employee Relation

(A) Recruitment

The response of an international firm to an international recruitment and selection depends on the general staffing policy on key positions in headquarters and subsidiaries, its ability to attract the right candidate, the constraints placed by the host government on hiring policies.

THERE ARE FOUR MAJOR APPROACHES TO MULTINATIONAL STAFFING DECISIONS:

□ *Ethnocentric Approach*

In this approach the parent country employees fill all key positions in a multinational. The most important reason why this may be adopted at the early stages of internationalization is a perceived lack of qualified host nation employees and the need to maintain good communication, coordination, and control links with corporate headquarters. However this approach has its own limitations. Since host country nationals will not be considered for key position, it may lead to dissatisfaction of HCNs', decline in productivity, and high labor turnover. The PCNs' may take lot of time in understanding the host country culture leading to delay in decision-making or faulty decisions. Since the salary structure of parent country nationals from developed countries will be relatively high as compared to host country, it may lead to feelings of discrimination, and frustration among the employees from the host country. Also employing expatriates in foreign locations is very expensive for the organization.

□ *Polycentric Approach*

This approach is taken up while employing host country nationals in the subsidiary of the MNC operating in that country and under this approach parent country national will only hold positions in the corporate headquarters. The advantages would be that there would be no language barriers, no hassles of cultural adjustment and managing local politics and administration will be very easier.

However in this approach, maintaining the original culture of the company becomes difficult. Communication gap may arise between the corporate and the subsidiary management. Also the parent country nationals may not get

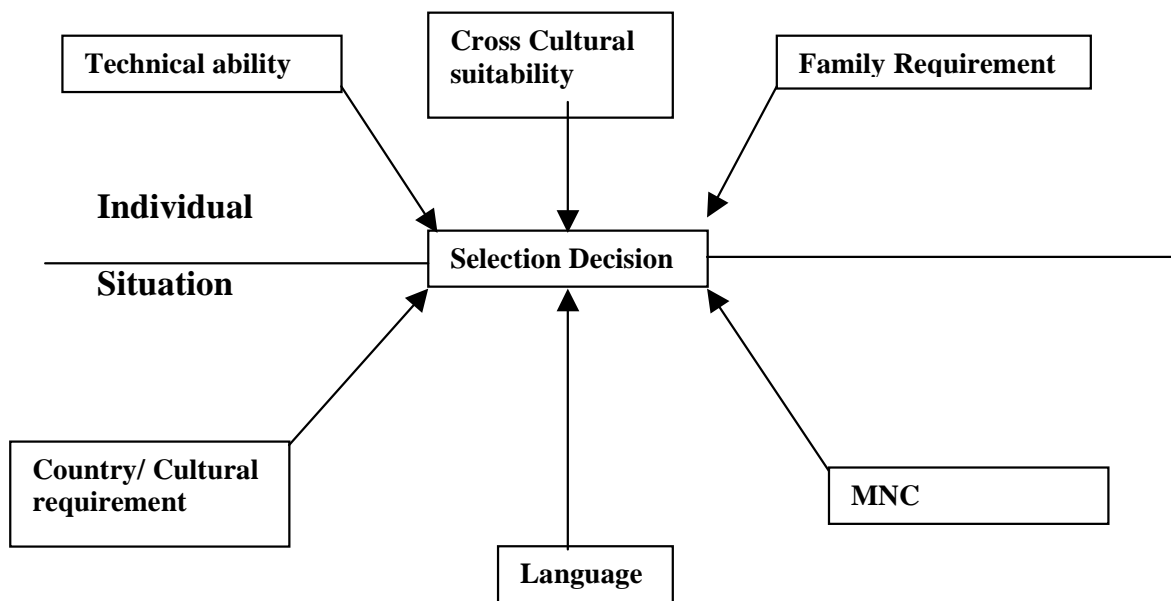
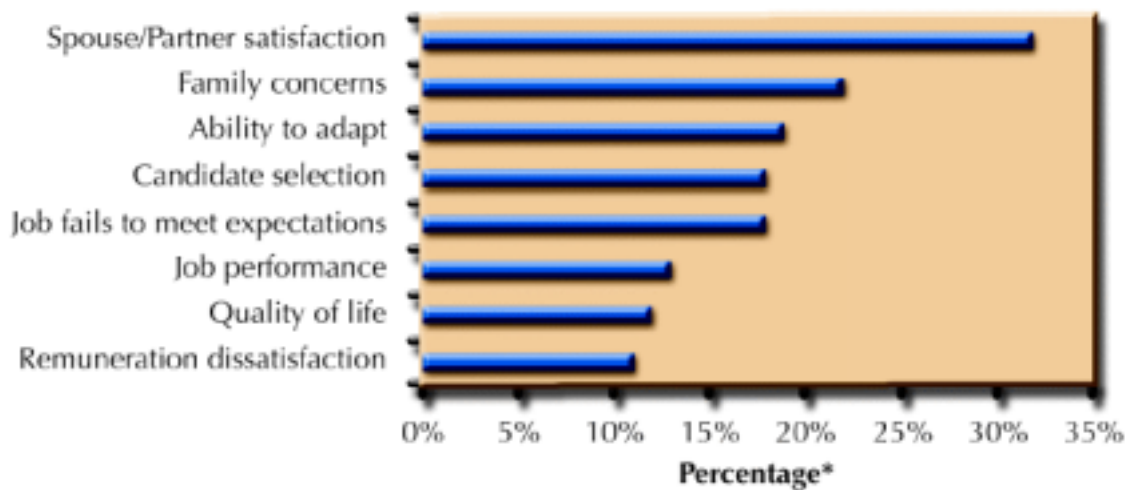


Figure 9: Expatriate selection procedure

Based on data from the GMAC Global Relocation Services Global Relocation Trends 2000 survey Report (New York:GMAC GRS/Windham International, 2000,48) the following causes of Expatriate Assignment Failure has been identified:



*Percentages reflect "often caused failure" responses only. More than one answer could be given.

Figure 10: Reasons of expatriate failure

(B) International Performance Management

Several things complicate the task of appraising an expatriate’s performance. The decision as to who will appraise the expatriate is crucial. Though the local management has some input, but cultural differences distort the appraisals.

- Repatriation agreements: Have written repatriation agreements which guarantee that the international assignee will not be kept abroad longer than the specified period and after returning back will be given mutually acceptable job.
- Preparation: It involves developing plans for the future and gathering information about the new position. The organization may provide a checklist to the employee for all steps to be followed before his return to his home country.
- Physical Relocation: This stage involves shifting the personal belongings, traveling to the next posting, which usually is to the host country. It should be done smoothly without generating stress to the repatriate and his family.
- Transition: In this stage, the person starts the process of settling down in the new setting. This involves settlement of new house, education of the children, social adjustment with the new friends and colleagues.
- Readjustment: It involves coping with the reverse culture shock and career demands. This phase is very critical to the repatriates in terms of adjusting to the new environment, career anxiety and sense of failure for those who came back due to failure in adjustment.

(E) Global Labor relations

Employee relations raise concerns in international situations for several reasons. Employers must comply with a wide range of employment and labor laws that differ by region and country. In some countries, unions either do not exist at all or are relatively weak. While in some countries unions are extremely strong and are closely tied to political parties. Differences are also there in how collective bargaining occurs. Global labor relations' standards are being addressed by several organizations. The International Labor Organization, based in Switzerland, serves as a forum for labor unions worldwide to coordinate their efforts and has issued some principles and rights at work. Such coordination is increasingly occurring as unions deal with multinational firms with operations in multiple countries. Hence, it is desirable for HR professionals to acquaint themselves with the labor relations systems of the host country and the third country in addition to the parent country wherever required. It is advisable to authorize the subsidiaries to manage their local labor relation issues.

7. CONCLUSION

While most have adapted to the global reality in their operations, many are lagging behind in developing the human resource policies, structures, and services that support globalization. The human resource function faces many challenges during the globalization process, including creating a global mind-set within the HR group, creating practices that will be consistently applied in different locations/offices while also maintaining the various local cultures and practices, and communicating a consistent corporate culture across the entire organization. To meet these challenges, organizations need to consider the HR function not just as an administrative service but also as a strategic business partner. The HR strategies that Global Organizations need to adopt to succeed in future can be summed up in these five points:

- A growing company is a learning company. The markets in which organizations do business are changing fast, and the firm's HR processes therefore have to help the employees learn on a continuing basis. They can do this through continuous training, education and management development, so that the employee always keeps up with market needs, wherever they work.
- Global teamwork leads to development and leads to optimum utilization of the firms' human resources. The employees must be able to work across divisions, across disciplines and across regions. This means that the organization should provide extensive training and development so its employees can handle added responsibilities. Optimizing global teamwork also means to take steps to ensure that all employees feel they are part of a strong, unifying corporate identity.
- Redefine management to meet the challenges of globalization. To do this the organization should develop regular strategic performance assessments that encourage each employee to develop his or her potential. Regular feedbacks should be provided so that the employees know how they are doing and how they can improve.