



GREYSTONE COLLEGE
OPENING UP GLOBAL CAREER OPPORTUNITIES

A dimly lit office meeting room. A man in a light-colored shirt stands at the front, presenting to a group of people seated around a large, curved wooden table. Several laptops are open on the table, and some people are looking towards the presenter. The room has a modern feel with a stone wall on the left and a bookshelf on the right. The overall atmosphere is professional and focused.

Global HR Management

Unit 7

International Business & Logistics

Reference and complementary reading

- Chapter 17 Global Human Resources Management of Global Business Today 12th Edition

Opening Case

The Evolution of HR Strategy at IBM

- Read the opening case on p. 541 and answer the following questions:
 - IBM's corporate strategy has shifted over the years, keeping pace with technological change. As part of that strategic evolution, IBM has also changed its HR strategy. Discuss the evolution of the company's HR strategy and why it was important to change as the business changed.
 - In 2020, IBM named Arvind Krishna CEO. Discuss the significance of this event for the company and its HR strategy.



Strategic Role of Global Human Resources Management (HRM)

The importance of human resources to an international strategy



What is Human Resources Management (HRM)?

- Activities an organization carries out to utilize its human resources effectively.

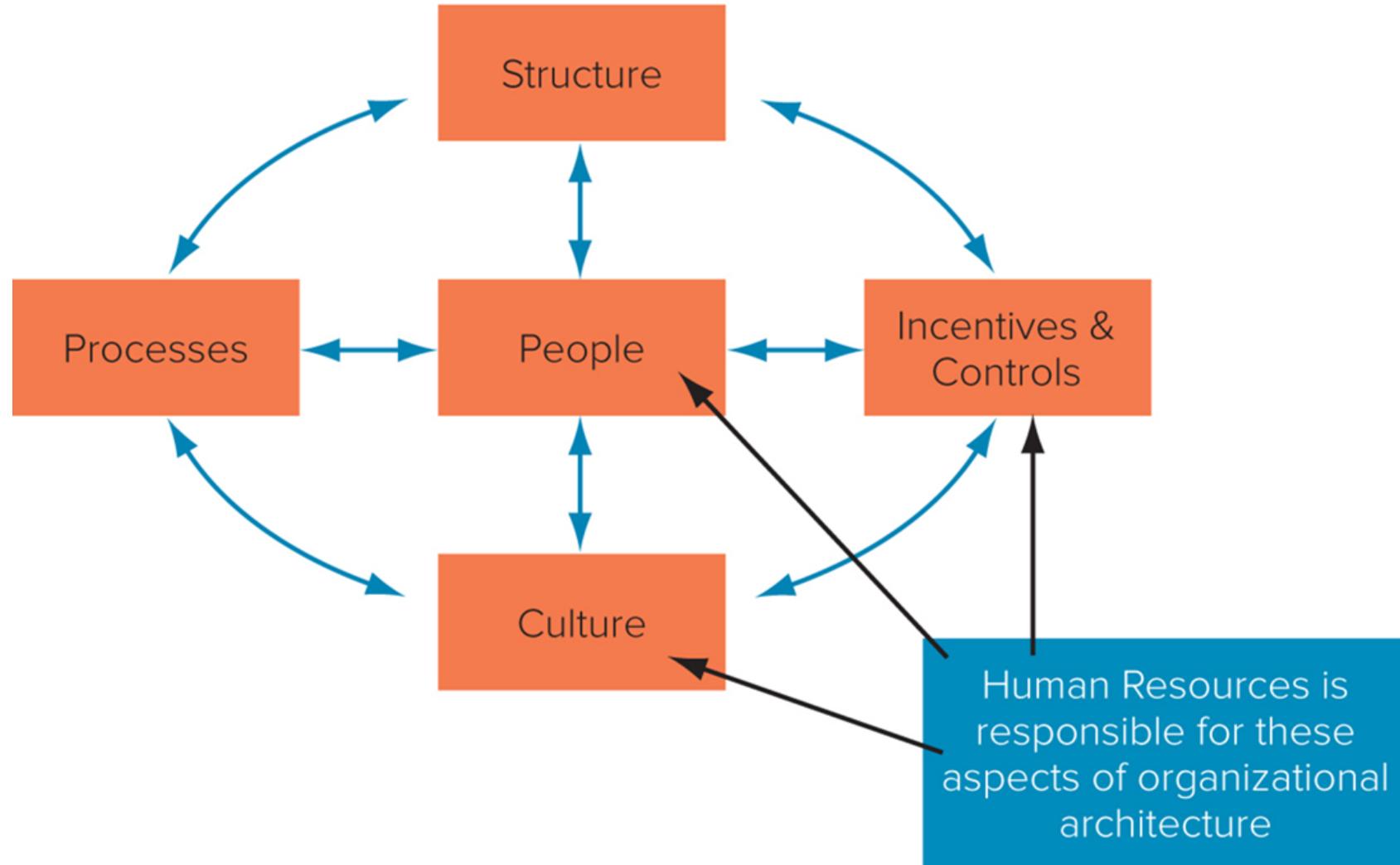


Global Human Resource Management (HRM)

- Human resources are critical to a firm's strategy
 - People are the at the heart of a firm's organizational architecture.
 - Superior human resource management can be a sustained source of high productivity and competitive advantage in a global economy.
- HRM is more complex in an international business because of differences between countries in labor markets, culture, legal systems, economic systems, etc.

Can you think of any challenges that may arise?

The Role of Human Resources in Shaping Organizational Architecture





Staffing Policy

Three ways to organize staff and management in international organizations

Staffing Policy

- Concerned with the selection of employees for a particular job.
 - Selecting people with the right skills for a particular job.
 - Developing and promoting the **corporate culture** of the firm: the organization's norms and value systems.
- A strong corporate culture can help a firm implement its strategy.
 - **Example:** GE hires individuals who has consistent behavioral styles, beliefs and value systems with the company → this leads to higher performance in the firm

Types of Staffing Policies

Ethnocentric Approach

- Key management positions are filled by parent-country nationals.

Polycentric Approach

- Host-country nationals manage local subsidiaries and parent-country nationals hold positions at headquarters

Geocentric Approach

- The best people are sought for key jobs throughout the organization, regardless of nationality.

Ethnocentric Approach

1. The firm may believe the host country lacks qualified individuals to fill senior management positions.
2. The firm may see an ethnocentric staffing policy as the best way to maintain a united corporate culture.
3. If the firm is trying to transfer core competencies to a foreign operation, it may believe that the best way to do this is to transfer parent-country nationals who have knowledge and skills of that competency to the foreign operation.

Example: According to the Japanese Overseas Enterprise Association, only 29% of foreign subsidiaries of Japanese companies had non-Japanese presidents (compared to 66% of Japanese subsidiaries of foreign companies had Japanese presidents)

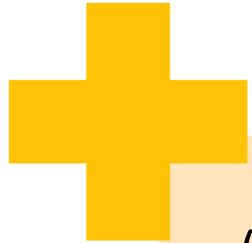


...What are the problems with this approach?

Ethnocentric Approach - Challenges

1. Limits advancement opportunities for host-country nationals
 - Can lead to resentment towards the company from local employees, lower productivity, increased turnover
2. Leads to **cultural myopia**, the firm's failure to understand host-country cultural differences that require different approaches
 - Example:** Mitsubishi Motors was sued by the US Equal Employment Opportunity Commission for tolerating extensive and systematic sexual harassment in a plant in Illinois
 - Top management (Japanese expatriates) denied the charges because they did not see the situation as sexual harassment

Polycentric Approach



(+) Less likely to suffer from cultural myopia and less expensive to implement

(-) Limited opportunities for host-country nationals to gain experience outside their own country and progress beyond senior positions in their own subsidiary
(-) A gap can form between host-country managers and parent-country managers

Geocentric Approach

Advantages

- Enables firms to make best use of its human resources
- Enables firms to build a cadre of international executives who can work in various cultures
- Enables firms to create more value
- Enables firms to reduce cultural myopia and enhance local responsiveness

Disadvantages

- Difficult and expensive to implement
- Harder to maintain consistency and standards globally

Staffing Policy & International Strategy

Staffing Approach	Strategy (Unit 4)
Ethnocentric approach	International Strategy
Polycentric approach	Localization Strategy
Geocentric approach	Global Standardization & Transnational Strategy

Summary

Staffing Approach	Strategic Appropriateness	Advantages	Disadvantages
Ethnocentric	International	<ul style="list-style-type: none">• Overcomes lack of qualified managers in host nation.• Unifies culture.• Helps transfer core competencies.	<ul style="list-style-type: none">• Produces resentment in host country.• Can lead to cultural myopia.
Polycentric	Localization	<ul style="list-style-type: none">• Alleviates cultural myopia.• Inexpensive to implement.	<ul style="list-style-type: none">• Limits career mobility.• Isolates headquarters from foreign subsidiaries.
Geocentric	Global standardization and transnational	<ul style="list-style-type: none">• Uses human resources efficiently.• Helps build strong culture and informal management networks.	<ul style="list-style-type: none">• National immigration policies may limit implementation.• Expensive.



International Work Environment

The challenges, job conditions, and considerations when choosing to work abroad

When you choose to work abroad, you are considered an...

- **Expatriate:** citizens of one country working abroad.
 - **Inpatriate:** a subset of expatriates who are citizens of a foreign country working in the home country of their multinational employer
 - **Example:** A Japanese national who moves to the US to work at Microsoft
- **Ethnocentric** and **geocentric** staffing approaches rely on expatriate managers
- Global human resources must determine:

When to use expatriates.

Whom to send on expatriate postings and why.

How expatriates should be compensated.

How to handle the debriefing and repatriation of expatriates.

Expatriate Failure Rates

- Expatriate failure represents a failure of the firm's selection policies to identify individuals who will not thrive abroad
 - Consequences include premature return from a foreign posting and high resignation rates
- U.S. firms have higher expatriate failure rates than either European or Japanese firms.

76%

of U.S. MNEs had expatriate failure rates of 10% or more

7%

of U.S. MNEs had failure rates as high as 20%

\$40,000 to \$1M

Cost estimates of each expatriate failure

Expatriate Failure Rates Studied by Region

Main reasons for expatriate failure (in order of importance):

U.S. MNEs	European MNEs	Japanese MNEs
<ol style="list-style-type: none">1. Inability of spouse to adjust2. Manager's inability to adjust3. Other family problems4. Manager's personal or emotional maturity5. Inability to cope with larger overseas responsibilities	<ol style="list-style-type: none">1. Inability of spouse to adjust to a new environment	<ol style="list-style-type: none">1. Inability to cope with larger overseas responsibility2. Difficulties with the new environment3. Personal or emotional problems4. Lack of technical competence5. Inability of spouse to adjust

Class Discussion

Why do you think it is so difficult for an employee's spouse to adapt to the expatriate life across all regions surveyed?



Management Focus AstraZeneca and a Global Staffing Policy

- Read the case on p. 550
 1. Describe AstraZeneca's staffing strategy for employees it sees as being high potential. Do you see any drawbacks to the company's focus on high potential employees?
 2. Discuss AstraZeneca's approach to limiting the risks for expatriate failure. Is the company doing everything it should to ensure success for its expatriate employees?



Expatriate Selection

- HRM managers tend to equate domestic performance with overseas performance potential (Mendenhall & Oddou, 1985)
- Success in foreign postings include:

Self-orientation

- Successful expatriates were those with high self-esteem, self-confidence, and mental well-being

“Others” orientation

- Relationship development and willingness to communicate

Perceptual ability:

- Ability to understand why people of other countries behave the way they do

Cultural toughness:

- The relationship between the country of assignment and how well an expatriate adjust to a particular posting

Global Mindset

- Some experts believe that a global mindset is essential to the success of global managers. This involves selecting individuals who:
 - Can deal with high levels of complexity and ambiguity
 - Are open to the world
- Research done in 50 Fortune 500 firms by International Orientation Resources showed that...
 - 10% tested for important psychological traits (cultural sensitivity, interpersonal skills, adaptability, flexibility, etc.)
 - 90% only tested technical expertise

How do you develop high levels of complexity, ambiguity, and openness to the world?

Fixed vs. Growth Mindset



Fixed Mindset

Leads to a desire to look smart, so tends to:

Avoid challenges

Give up easily

See effort as fruitless or worse

Ignore useful negative feedback

Feel threatened by the success of others

As a result, they may plateau early and achieve less than their full potential.

Leads to a desire to learn, so tends to:

Embrace challenges

Persist in the face of setbacks

See effort as the path to mastery

Learn from criticism

Find lessons and inspiration in the success of others

Growth Mindset

As a result, they reach ever-higher levels of achievement



*** In addition to a global mindset, individuals with a growth mindset tend to fare better in international roles**



Global Training & Development

Preparing employees for international work environments

Training and Management Development

- **Training:** Preparing employees for a specific job.
- **Management Development:** Developing the skills of the manager over their career with the firm. This can involve...

Being sent on foreign postings to build cross-cultural sensitivity and experience

Attending management education programs

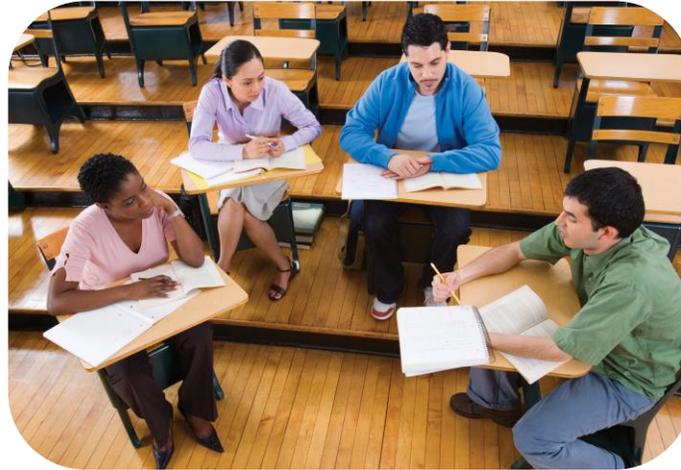
- Management development is seen as a tool to help the firm achieve its strategic goals, not only by giving managers the required skill set but also by helping reinforce the desired culture of the firm and by facilitating the creation of an informal network for sharing knowledge within the multinational enterprise.

Training for Expatriates



Cultural training

- Seeks to foster an appreciation for the host country's culture



Language training

- Improves the effectiveness of managers and helps them better relate to the foreign country



Practical training

- Helps the expatriate manager and family ease into day-to-day life of the host country

Repatriation of Expatriates (Coming Home)

- Research shows that 15% of returning expats leave their firms within a year of arriving home, and 40% in 3 years
 - Organizations might be vague about repatriation, new roles, and future career progressions
 - Some may take a lower-level position in their home organization than abroad
- **Solution: Good HRM planning**
 - A need to develop good programs for reintegration
 - A need to prepare them for changes in their physical and professional landscape (reverse culture shock is common)
 - A need to understand how to utilize the knowledge they acquired abroad

Management Focus

Monsanto's Repatriation Program

- Read the case on p. 555
 1. How does Monsanto's repatriation program provide an incentive for high-potential managers to accept overseas assignments?
 2. After they return home, Monsanto's expatriate managers are given the opportunity to showcase their experience to their peers, subordinates, and superiors, in a special information exchange. Why is this important? What function does this serve in the repatriation process?





Performance Appraisals

Evaluating the performance of employees in an international profession

Performance Appraisal

- **Performance Appraisal Systems:** Methods used to evaluate the performance of managers against criteria that are important to the firm. These evaluations may look at:
 - Employee's ability to implement the strategy, perform tasks
 - Their ability to move the company towards a global competitive advantage
- **International Performance Appraisal Problems**
 - Unintentional bias due to cultural frames of reference and expectations (host-nation managers) OR distance and a lack of experience (home-country managers)

Guidelines for Performance Appraisal

More weight should be given to onsite manager's appraisal than to offsite manager's appraisal (e.g., the manager in the country where the expatriate is working).

A former expatriate who has served in the same location should be involved in the appraisal process (this ensures that they are being evaluated on realistic criteria).

Home-office managers should be consulted before onsite manager completes a formal termination evaluation.



Compensation

Expectations and adjustments to compensation for international positions

Two Key Issues with Global Compensation

1

Adjusting compensation to reflect national differences in economic circumstances and compensation practices

2

How expatriate managers should be paid

Remember, compensation is not only your base salary... it can also include a combination of:

Benefits (dental, health, etc.)

Bonuses

Sales commissions

Overtime pay

Extra Vacation, Days Off

Company Ownership

Travel, Meals, Housing Allowances

Profit Sharing

National Differences in Compensation

- Less of an issue in ethnocentric or polycentric staffing strategies.
- Firms using a **geocentric policy** that want to develop an international team of managers must consider:
 - Whether all executives should receive the same salary regardless of their country of origin.
 - If it does not equalize pay, it could create resentment among foreign nationals.
 - Mercer Management Consulting survey showed that some 85% of companies surveyed have a global compensation strategy in place.

Expatriate Pay

- Most common approach to expatriate pay is the balance sheet approach.
 - Equalizes purchasing power across countries so employees can have same standard of living in foreign country as at home.
- Typical compensation packages include:

1. Base salary

2. Foreign service premium

3. Allowances

4. Benefits

5. Tax differentials

Expatriate Pay

- 1. Base salary:** Normally in the same range as the base salary for a similar position in the home country.
- 2. Foreign service premium:** Extra pay the expatriate receives for working outside the country of origin.
 - Offered as an incentive to accept foreign postings.
- 3. Allowances:**
 - Hardship allowance
 - Housing allowance
 - Cost-of-living allowance
 - Education allowance

Expatriate Pay

4. **Benefits:** many expatriates receive the same level of medical and pension benefits abroad that they receive at home.
5. **Taxation:** expatriate may have to pay income tax to both home-country and host-country governments unless host country has reciprocal tax treaty.
 - When a reciprocal tax treaty is not in force, the firm typically pays the expatriate's income tax in the host country.

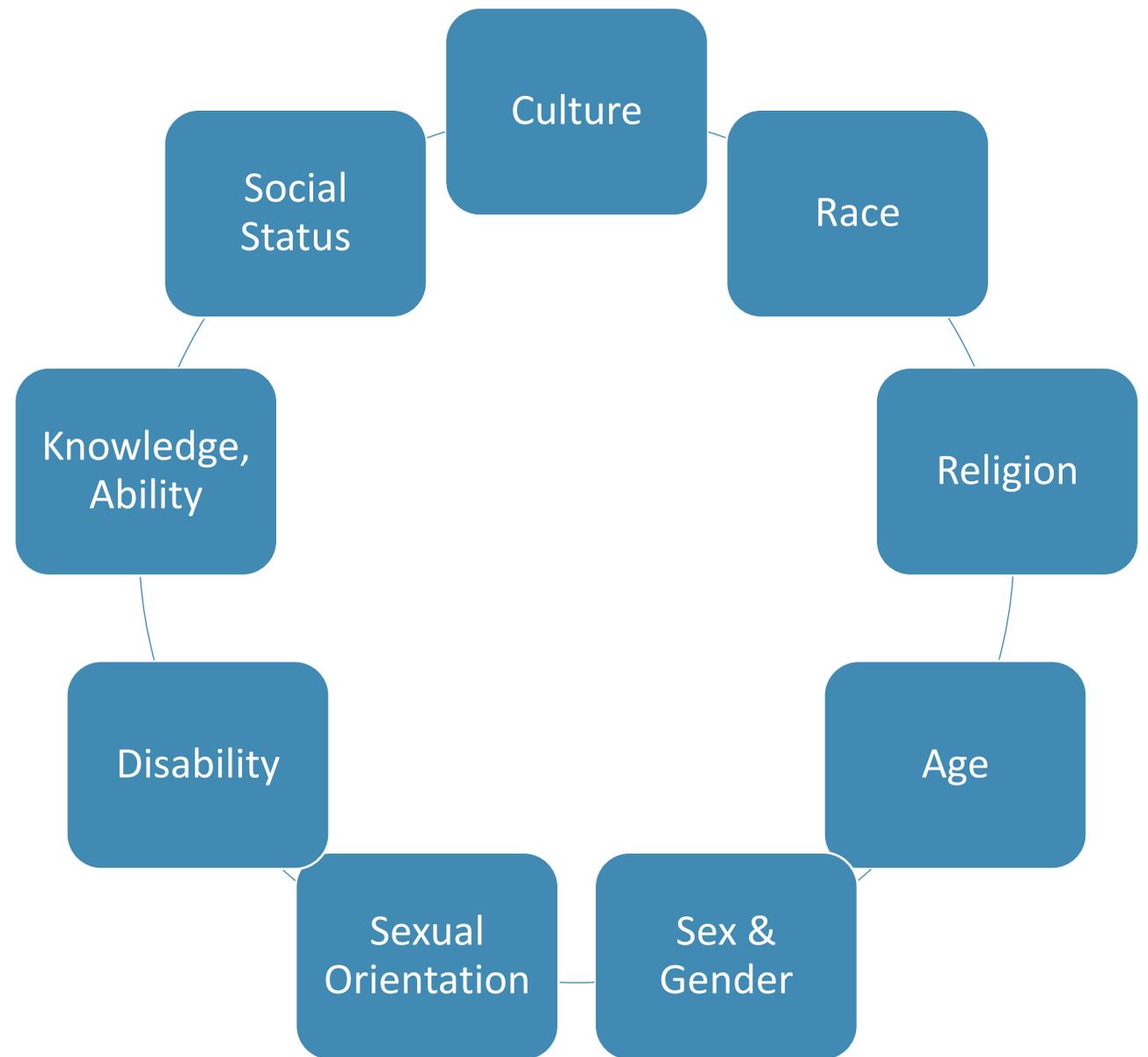


Diversity & Inclusion

The importance of diversity in international teams and how to promote it

Building a Diverse Global Workforce

- A global workforce that is built around diversity has been shown by *many* studies to be a source of competitive advantage and generate higher profits.
- Diversity can involve:



Performance Gains From Diverse Teams

Diverse talents bring insights into needs of diverse customer base

Capitalizes on the talent of women and minorities

Develops a better relationships with diverse customer base

May improve brand image

Increases employee satisfaction

Promoting Workforce Diversity

- Set clear policies that identify and communicate the benefits of a diverse workforce.
- Set clear goals, not quotas.
- Lead by example.
- Establish diversity workshops.
- Create employee reference groups.



International Labour Relations

Fundamentals of how labour unions operate in an international context

International Labor Relations

- **Union:** An organized association of workers, often in a trade or profession, formed to protect and further their rights and interests.
 - Union members democratically elect their leaders who are then responsible for advocating for the good of the members. Elected leaders have defined terms and are always accountable to the membership they represent. Unions are governed by clear constitutions, bylaws and other rules that are accessible to and changeable by the membership at regularly held conventions or meetings.

Source: <https://canadianlabour.ca/what-unions-do/>

The Concerns of Organized Labor (Unions)

1. Multinationals can counter union bargaining power by threatening to move production to another country.
2. Multinationals will keep highly skilled tasks in the home country and farm out only low-skilled tasks.
3. Imported employment practices and contractual agreements will reduce union influence and power.



Martin Leissl/Bloomberg/Getty Images

International Labor Relations & Organized Labour Efforts

- Trying to establish their own international organizations.
- Lobbying for national legislation to restrict multinationals.
- Trying to achieve regulations of multinationals through international organizations such as the United Nations to set global standards.
- In the 1960s, organized labor began to establish international trade secretariats.
 - So far, these efforts have had only limited success.

Overall Trends in Global HR Management

Due to globalization, businesses need to adopt a more **geocentric approach** towards staffing policy

There is a shift towards greater ethnic and gender diversity.

Greater nationalism has led to a rise of anti-immigration sentiment in certain nations (**Examples:** US and the UK)

As companies invest increasingly in foreign subsidiaries (FDI), a shift towards **polycentric** and **geocentric** staffing becomes increasingly necessary.



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