CHAPTER VI

HRM IN A GLOBALISED WORLD

At the dawn of a new millennium, a growing number of organizations is faced with the challenge of managing and integrating their human resources globally, while remaining locally responsive to the specific cultural requirements of the different societies in which they operate. In today's world, the global boundaries among organizations, markets and people are becoming increasingly and irrevocably obscure. No longer is the concept of globalization a futuristic one. At the same time, we are witnessing a renewed interest in human resources (HR) as a major strategic tool that can uphold the competitive position of the global corporation.¹

In the global corporation where the organizational environment changes across nations, the characteristics of HR roles and decision choices naturally change as well. The typical transactions that occur domestically take on a new global dimension involving Geographic separation and greater cultural diversity than the traditional domestic HR function. Foreign labour markets, different hiring laws, and different pay structures make the transaction process more complex. Similarly, the cross-cultural translation role takes on greater complexities with communication efforts and media, changing in the face of diverse languages, communication styles, technological resources, and literacy and education levels. Moreover, in a global setting, transition roles become paramount to the success of helping employees of global operations cope with moving and living abroad, returning from

overseas assignments, handling meetings in foreign places, coping with culture shock, understanding foreign legal systems and work practices, appreciating cultural differences, and managing personal change and expectations on global assignments. The transformation activities may entail shifting HR practices to make them more locally compatible, and moving toward an organizational culture that values cross-cultural diversity rather than merely acknowledging cultural differences.² Other transformations may involve fostering organizational learning and knowledge sharing on a transnational scale (see Figure 6.1).

FIGURE: 6.1
A Frame for Understanding Human Resource Strategy: Context, Roles, and Constraints

<table>
<thead>
<tr>
<th>ENVIRONMENTAL CONTEXT</th>
<th>ORGANIZATIONAL BUSINESS</th>
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<tr>
<td>More ← Managerial Discretion → Less</td>
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<tr>
<td>Unilateral Decisions</td>
<td>Negotiated Decisions</td>
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<td>Transaction</td>
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<td>Translation</td>
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<tr>
<td>Transition</td>
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<tr>
<td>Transformation</td>
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Source: 2000 by Ellen Kossek and Richard Block. Thanks to Brian Pentland, Karen Markel, and John Beck for helpful comments and discussions that enhanced the model.

The increasing pace of change and global competition have forced the world's multinationals and global corporations to redevelop their worldwide HR strategies. Understanding the implications of these changes for HR management is essential to the successful utilization of people for securing competitive advantage in these global firms. Some of the core concepts relevant to globally managing HR include:

- Global megatrends impacting HR management
- The difference between global and domestic HR
- Global corporate evolution
- Implications of globalization for the HR function
- Competencies necessary for success as a global manager

In *Global Human Resource Development*, Marquardt and Engel\(^3\) highlight 14 global megatrends that will shape societies around the world in the new millennium. Those that relate most intimately with HR management include:

- Globalization
- Global technology
- Changing global workforce
- Quality and service
- Learning organizations
- Emerging roles of women
- Work and family life
- Workplace ethics
- Values and religion

Many global operations have begun to address and integrate these trends into their HR policies, practices and processes. HR management contributions to these trends will be vital to the success of global corporations in the next millennium.

The Difference Between Global and Domestic HR: Domestic HR management involves those functions undertaken by an organization to effectively utilize its human resources. Managing human resources globally involves the procurement, allocation, and utilization of human resources across at least two nations (international), among many nations (multinational), or on a regional scale. Global HR management includes the distinct systems and processes that are directed at attracting, selecting, appraising, rewarding, developing, and retaining HR at an international, multinational, or global level. But the major difference between the two is the increased involvement by the organization in the personal lives of employees. The field of global HR encompasses primarily the same areas as domestic HR management with several key distinctions. These include:

- Global players
- Cross-cultural diversity
- Geographic dispersion
- Environment

Global Players. One of the main distinguishing features between domestic and global HR management is the complexity of the mix of organizational members or players, ranging from global managers to global administrators. Research has tended to categorize these global players into the following groups:

- Parent country nationals/expatriates (PCNs)
- Host/local country nationals (HCNs)
- Third-country nationals (TCNs)

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4 Ibid.
Parent Country Nationals/Expatriates: PCNs are employees who are citizens of the country in which the headquarters of the organization they work for is located - for example, an American citizen working for an overseas subsidiary of an organization headquartered in the United States.

PCNs are usually managers, technicians, subsidiary heads, and experts who travel from the home office to assist overseas subsidiaries. Some of the advantages of utilizing PCNs to staff subsidiaries abroad stem from the fact that they are experts in how the parent corporation operates. Furthermore, when PCNs spend time abroad, they learn how foreign markets operate, and how clients and customers in these markets respond to services or products offered by the corporation. PCNs also gain skills in cross-cultural diversity management. When strategically placed, PCNs can play a significant interpretative role between the subsidiary and headquarters. PCNs, however, are expensive. Corporations are responsible for the additional costs such as cost-of-living allowances, relocation and family benefit packages. Also, PCNs may cost the corporation in terms of lost contracts and poor relations with customers and suppliers, particularly when they are sent to countries that have significantly different cultural values, business systems and societal norms than the parent country.

Host/Local Country Nationals: HCNs are employees of an organization who work in an overseas subsidiary and are natives of the country in which the subsidiary is located. For example, a Dutch manager working in a subsidiary of a U.S. company located in the Netherlands.

The advantage of employing HCNs is that they are familiar with local norms and practices, speak the local language and are not as

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expensive as PCNs. IBNL for example, hires HCNs with the belief that they not only have a better appreciation for the local environment, including the tax, social security, and other legal requirements but also are more likely to develop closer relations with local employees and customers.\textsuperscript{7} The disadvantage of employing HCNs, however, is that they may not be aware of headquarters' needs, and may take an entirely local rather than, global view of how the subsidiary should operate.\textsuperscript{8}

Third-Country Nationals: TCNs are employees of an organization who work outside the country where the parent company is headquartered and also outside the country of their birth. For example, a Belgian manager who works for a Canadian multinational's subsidiary in France.

Some of the TCNs in Europe have been referred to as "Euro-managers," as they view the European continent as their domain, not just their home country. These TCNs tend to assimilate into the local culture when they are assigned abroad, treating the posting as their residence.\textsuperscript{9}

The major advantage in employing TCNs is that they cost less than PCNs and are often fluent in foreign languages and have substantial international experience. TCNs, while attractive, are in high demand and short supply. Furthermore, local legislative policies may limit the number of TCNs who can be employed. Coordinating a team of domestic players is challenging enough but the task of managing players on a global scale carries with it more complex implications and greater challenges.

\textsuperscript{8} Mendenhall, M., Punnett, B. J. and Ricks, D., op. cit.
Cultural Diversity. As global HR management involves activities in at least two nations, cross-cultural diversity is a given. Culture is defined as a way of life of a group of people,\textsuperscript{10} the collective programming of the mind that is both learned and inherited,\textsuperscript{11} and a system of shared meanings placed upon events.\textsuperscript{12} Multinational and global corporations derive many of their values from the national culture in which they are headquartered. U.S. cultural values, for example, have profoundly affected General Motors, General Electric (GE), and IBM. Similarly, Japanese culture has affected Mitsubishi, Matsushita, Hitachi, and Nissan's organizational values and policies. Global HR management strategies and practices need to acknowledge these cultural influences. Cultural differences in multinationals may involve intracultural diversity (cultural differences within a particular nation), intercultural diversity (involving interactions between two or more national cultures), cross-cultural diversity (crossing cultures and nations), and, or multicultural diversity (involving many cultures).\textsuperscript{13} The challenge of reconciling home and host country values is a real one, and culture remains a vital component of global HR management. Moreover, if HR is to take on strategic significance in the global operation, culture should never be ignored.

Geographic Dispersion: Despite the advancement of global telecommunications technology, sheer distance between the locations of various affiliates or international divisions of global operations


\textsuperscript{11} Hofstede, G., Culture’s Consequences: International Differences in Work-Related Values (Beverly Hills, CA: Sage), 1980.


\textsuperscript{13} Marquardt, M. L. and Engel, D. W., op. cit.
creates communication challenges. Distance also creates difficulties due to the increased need for long-distance transportation, relocations, housing, and support services. Moreover, communication is more expensive and of potentially lesser quality across long distances. Time differences across the globe may also make communication difficult and limited. Distance may also have the effect of delaying decision response times and the receipt of information and resources.

Environment: The external environment plays a significant role in determining both the nature of the global HR manager's responsibilities and how they are executed. The political environment in which global firms operate may range from totalitarian to democratic, militaristic to civilian controlled. The economy may be booming or in recession. Labour market characteristics may vary in the extent and quality of education and worker skill levels. There may be an oversupply of unskilled labour, a shortage of skilled labor, or even high unemployment. All these environmental issues influence the strategic HR choices and practices within operations around the globe. Government systems may vary in the degree to which they regulate or prescribe how HR management is executed. The society may be primarily rural or urban, familiar with outsiders or insular, victims of high crime rates or not. Climatic conditions may also enhance or inhibit regular performance at work. Hence, the role of the environment in influencing HR management policies and practices abroad should not be underestimated.

Global Corporate Evolution

Table 6.1, exemplifies four phases of development from a domestic to a global corporation. Understanding the phases of evolution towards becoming a global corporation provides us with a
useful framework for appreciating the implications for HR practices across these types of organizations.

The Difference Between International, Multinational, and Global Corporations: International corporations are structured to transfer and adapt the parent company's competencies and knowledge to foreign markets. Examples include General Electric and Procter & Gambles. Multinational corporations, on the other hand, operate in multiple international markets. Essentially, multinationals create a federation of national entities stemming from a single parent where the external organizations have some degree of independence and autonomy. Examples include Unilever and Philips.\textsuperscript{14} Global corporations contain elements of both centralized coordination and decentralized responsiveness where the world market is treated as an integrated whole. Such corporations have both a global strategic perspective and a capability for local differentiation. Examples include BP-Amoco, IBM, Royal Dutch/Shell, and Andersen Consulting. In contrast to domestic and multinational corporations, the truly global corporation is one that has created an organizational culture that values diversity.\textsuperscript{15} In the global corporation, the world is viewed as essentially one seamless market, and human resources are integrated in a way that assumes there are no "foreign" locations or employees. At this stage of development, the ability to manage cross-cultural interaction, multinational teams, and global partnerships becomes essential to overall business success. Moreover, global HR management, considered "helpful" under the international and multinational stages,

now becomes essential for organizational survival and success at the global stage of development.16

| TABLE: 6.1 | Stages of Development Toward a Global Corporation |

<table>
<thead>
<tr>
<th>Corporate Activities</th>
<th>PHASE I</th>
<th>PHASE II</th>
<th>PHASE III</th>
<th>PHASE IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>International</td>
<td>Multinational</td>
<td>Global</td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td>Domestic</td>
<td>Multidomestic</td>
<td>Multinational</td>
<td>Global</td>
</tr>
<tr>
<td>Predominant Structure</td>
<td>Centralized hierarchy</td>
<td>Decentralized hierarchy</td>
<td>Centralized hierarchy</td>
<td>Global alliances and networks</td>
</tr>
<tr>
<td>Main Orientation</td>
<td>Product or service</td>
<td>Market</td>
<td>Price</td>
<td>Strategy</td>
</tr>
<tr>
<td>Competitors</td>
<td>None or some</td>
<td>Few</td>
<td>Many</td>
<td>Significant</td>
</tr>
<tr>
<td>Production Location</td>
<td>Domestic</td>
<td>Domestic and primary markets</td>
<td>Multinational, least cost</td>
<td>Global, least cost</td>
</tr>
<tr>
<td>Exports</td>
<td>None</td>
<td>Growing</td>
<td>Large</td>
<td>Imports and exports</td>
</tr>
<tr>
<td>Cultural Perspective</td>
<td>Parochial relative</td>
<td>Culturally ethnocentric</td>
<td>Headquarters synergistic</td>
<td></td>
</tr>
<tr>
<td>Cultural Sensitivity</td>
<td>Unimportant</td>
<td>Very important</td>
<td>Somewhat important</td>
<td>Critically important</td>
</tr>
</tbody>
</table>

Source: Adapted from Adler (1991) and Marquardt and Engel (1993)

Table 6.1 highlights the various phases organizations go through in the process of becoming a global corporation. Historically, most corporations begin as domestic. During this phase, foreign

markets are largely irrelevant, with the main orientation being some product or service. As competition increases and corporations expand internationally, they enter the international phase. At this stage, exports are growing and many firms form a separate international division. Each country is managed separately, using a multi-domestic approach. Parochialism, evident in the domestic phase, is replaced by cultural relativity. A decentralized hierarchical structure exists at this stage and the foreign operations: are often seen as an extension of the domestic operations. At the multinational phase, competition continues to increase, and corporations continue to emphasize least-cost approaches. There is still an hierarchical relationship between headquarters and the foreign subsidiaries. However, headquarters' decisions are now made by people from a broader range of cultures than in previous phases. While this multinational representation increases at headquarters, ethnocentrism and cultural dominance of the headquarters' national culture continues. At the global phase, competition increases and the predominant structure becomes less hierarchical and is characterized by more global networks and strategic alliances. As a consequence, power is no longer centered in a single headquarters, dominated by any one national culture continues. At this stage international and cross-cultural skills become critical for all managers throughout corporation. The overall cultural perspective is also more synergistic, involving a combination of many cultures into a unique organizational culture, rather than merely integrating foreigners into the dominant culture of the headquarters' nationality.

18 Ibid.
Implications of Globalization for the HR Function

Globalization has the twofold effect of reconciling the HR function with the strategic core of the organization, while changing the scope and content of HR management.19 The following sections provide an account of some of the main implications of globalization for HR management systems and practices.

Global Selection and Staffing: A trend that has accompanied the globalization of corporations has naturally been the increase in the selection and staffing of global players - global managers, technicians, and professionals. This trend is exemplified through the growing amount of "foreign" staffing practices. More than 4.6 million American workers are employed by foreign companies in the United States. Further, US. corporations employ over 60 million foreign workers.20 Foreigners hold senior management positions in at least a third of large U.S. firms and a quarter of European-based firms.21

Effective staffing for international assignments demands not only the identification of potential global players who possess the necessary leadership capabilities and know-how but the capacity to develop that potential and use it to the organization's maximum advantage. The skills of most HCNs are generally inadequate in the initial phases of a firm's development toward a global corporation. As a consequence, PCNs and TCNs are selected to staff key positions in international operations. With the challenges of operating in a culturally dissimilar national environment, with people who speak another language, it is not surprising then that between 20 and 50 percent of

20 Marquardt, M. L. and Engel, D. W., op. cit.
21 Casico, W. and Bailey, E., op. cit.
expatriates terminate their assignments prematurely. The costs of these early terminations are estimated at around $1 million per expatriate. Reasons for these failures have been attributed primarily to poor pre-departure and post-arrival training and orientation. Noteworthy, however, is the fact that selection and staffing issues such as family adjustment, host country similarity with home country, and global assignee adaptability skills have a profound impact on expatriate success.

Consistent with a multinational corporate strategy, many U.S. multinationals delegate the responsibility for recruitment and staffing to their corporate divisions, which in turn delegate this responsibility to their affiliates. Most U.S. multinationals have no or severely limited corporatewide methods for identifying international talent, or for facilitating career advancement through cross-national transfers or promotions. As a consequence, the careers of most PCNs and HCNs tend to be division bound and territorially bound, contributing to the specificity of their way of thinking. There are US. corporations that have developed noteworthy exceptions to this trend, however. General Electric, for example, has initiated a "global brains effort" in which they identify and recruit potential international managers. They provide them with the necessary training and cross-border experiences to enhance the success of their careers abroad. IBM has increased its reliance on home continent nationals to staff its European offices. Procter &

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24 Humes, S., op. cit.
Gamble's international division also provides extensive opportunities for cross-national experiences.25

European multinationals have tended to manage their staffing on a country-by-country basis. Royal Dutch/Shell, for example, has continued to rely on operating companies, most of whose management has been recruited locally. Philips has moved from this multi-country to a multi-divisional staffing approach. With the globalization of its product divisions, Philips has moved senior and middle-level employees from country to country, with or without the consent of the affiliate management.26

Asian multinationals have tended to adopt a corporatewide approach to staffing. Further, they have tended to recruit HCNs on a corporatewide basis. Assignments abroad are only made after HCNs have been formally recruited and trained. Mitsui and Company, for example, annually selects several particularly promising Japanese executives for assignments as "assistants to" the chairman, president, and executive vice-presidents, to provide senior executives with an opportunity to assess their potential and to develop their corporatewide perspective. Each Samsung division regularly assigns its best Korean managers for a multi-year experience at corporate headquarters. Matsushita's 1991 initiative to bring 100 non-Japanese to Japan for a year is yet another example of this corporatewide approach to staffing.27 At Toyota, staffing is split in two ways. The management of Japanese personnel is separated from the management of non-Japanese employees. In staffing its overseas operations, Toyota has tended to rely more on locals for HR and accounting functions, and on Japanese for production and quality control operations. At Matsushita,
the staffing policies and practices reflect the corporation’s basic motto: “Matsushita makes the man before the product.” This philosophy, in turn affects its recruitment, promotion, training and development activities. Like most other Japanese global corporations, Matsushita hires its professional employees directly from leading universities for career-long employment.

Global Organizational Design: leading-edge global enterprises have one key organizational design feature in common: their design is flat and simple. As organisations move through the phases of evolution toward becoming a global corporation, network-like configurations begin to replace tall hierarchical designs, and partnerships and teaming activities replace rigid, top-down hierarchical designs. A critical role, therefore, of the HR function in firms becoming increasingly global is to provide support in managing these collaborative networks. GE, for example, has simplified its corporate structure and reduced the bureaucratic layers from as many as 29 to as few as 4 in an attempt to be more globally competitive.28 Furthermore, GE’s efforts to create a boundaryless organization have involved the facilitation of interdivisional and global transfers and the promotion of corporatewide shared values. GE has also initiated a “work-out” program to bring together employees from cross-sections of the business and from around the globe to share their ideas and join efforts on tasks. Teamwork and partnering are key components of this international networking initiative. At IBM, as teamwork is so central to their organizational design, the corporation has introduced a course entitled “Cluster Management,” which deals with group dynamics.29 Philips, 3M, and Exxon are also good examples of global corporations that have designed their organizations around teams. Although the specific

28 Ibid.
29 Ibid.
team dynamics vary depending on the reporting relations, the high levels of work-related interdependencies prevail.

Global Training and Development: Probably one of the most significant responsibilities of the HR function in a global operation is the establishment of an ongoing training and development program for managing global assignments. The traditional perspective has been to simply develop the skills of global assignees by providing them with training on topics such as cross-cultural sensitivity, leadership styles, communication, problem solving, and conflict resolution skills. However, with organizations facing increasing global competition, firms also need to develop organization-level global competencies such as organizational learning, and continuous improvement capabilities. As Porter argues, the basis of competition has shifted more and more to the creation and assimilation of knowledge. Well coordinated on-the-job training and global career management are key ingredients of this assimilation process. Consequently, many multinationals and global corporations have expanded the scope and scale of their training and development efforts worldwide. Such efforts have included both external session by educational institutions and internally delivered training programmes. Attention in these programs has been focused on the acquisition of specific professional competencies, cross-cultural interpersonal skills, and distinctive shared corporate norms and values.

Multinationals and global corporations vary not only in terms of the extent to which they emphasize training and development, but also in the extent to which training is offline (as contrasted with on-the-job) and how much it focuses on a divisional or corporatewide perspective. Olivetti, for example, tends to limit training to on-the-job efforts. IBM is a good example of a global corporation that is highly committed to

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educating its global workforce. General Motors, Fiat, and GE all favour extensive in-house training establishments to support their global education initiatives.

Asian corporations emphasize continuous training throughout employee careers. Such training usually begins with an extensive orientation program, and continues with periodic offline and on-the-job training. Asian multinationals’ and global corporations’ training programmes are noteworthy for the amount of time trainees spend in training. As examples, Matsushita, Mitsubishi, and Nissan offer new employee orientation and development programmes lasting three to eight months. These programmes are designed to socialize newcomers in the distinctive philosophy, history, and organizational culture of the corporation. In addition to extensive newcomer orientation and training, Samsung follows up every year with a "spiritual renewal" session for in-career assignments. The Asian multinationals have historically, however, tended to exclude non-headquartered nationals from their training efforts.31

Worldwide, those corporations that have developed and supported corporatewide educational institutions have emphasized the importance of developing global communication and leadership skills. GE, Fiat, and IBM, for example, have relied on corporate institutions to provide the training efforts are necessary throughout their respective global corporate domains.

Global Compensation and Benefits. It is widely recognized that effective global compensation and benefit systems take into account the diversity in employees’ appreciation of different reward alternatives.32 Global corporations, therefore, have a responsibility to examine their compensation and benefits strategy and underlying

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31 Humes, S., op. cit.
philosophy in the world context. Tax equalization issues, stockownership benefits, retirement benefits, education allowances, hardship allowances, housing and utilities differentials, and cost-of-living adjustments are all serious issues that need to be incorporated into the design of a global compensation system. A well-integrated global compensation policy will avoid the mistake of merely transporting domestic-based systems abroad without careful attention to and investigation of the diverse legal frameworks surrounding pay across the globe. Compensation systems also need to establish a fine balance between achieving external consistency with the national culture of the workforce, and maintaining internal consistency with the organizational culture’s norms and standards.

Most American and European multinationals and global corporations tend to use an hierarchy of pay grades based on job analyses. Japanese HR practices, on the other hand, generally assign pay by rank, based on seniority. Mitsubishi and Nissan, for example, promote managers on length of service rather than on merit.33

Global Performance Management: The adage "what gets measured gets done" is certainly a reality when it comes to global performance appraisals. A commitment to organizational learning and continuous improvement will remain only a token expression unless supported by criteria and systems for measuring accomplishments.34 Performance evaluation methods vary in design, purpose, and application in nations around the world. In the United States and some Western European nations, performance management systems tend to be more objective, job related, and outcome oriented and to possess distinctive purposes (e.g., promotion, pay, development). In contrast, other nations may offer more informal, subjective assessments of

33 Humes, S., op. cit.
34 Pucik, V., Tichy and C. Barnett (eds.), op. cit.
employees, making use of more general traits such as honesty and dependability.\textsuperscript{35}

Most multinationals and global corporations invest considerable amounts of time and effort evaluating the performance of their employees for cross-border assignments. Potential “high-flyers” are identified and placed on the “fast track”—in their early twenties in the United States and the United Kingdom, in their late twenties in Germany, and early thirties or later in Japan.\textsuperscript{36} Certain multinationals, and global corporations gather multiple performance evaluations, not only from the hierarchical “superior” but also from coworkers and direct subordinates. It is critical, however, that this process is coordinated on a corporate rather than just a divisional level order to take advantage of corporatewide comparisons for cross-hierarchy and cross-national postings. British Airways and Cathy Pacific are examples of corporations using sophisticated performance management systems that serve as decision aids in identifying, developing, and promoting their top performers worldwide. Exxon has developed “compensation and executive development” committees at each level in the organisation to assess their senior personnel. Exxon’s scoring system, like British Airways’, is designed to facilitate cross-border comparisons and progress monitoring of top performers.\textsuperscript{37}

Competencies Necessary for Success as a Global Manager: Globally competent managers require a broader range of skills than traditional national managers. First, while international managers could focus on a single foreign country and on managing relationships between headquarters and that country, global, competent managers must understand the worldwide business environment from a global

\textsuperscript{35} Arvey, R. D., Bhagat, R. S., and Salas, E., op. cit.
\textsuperscript{36} Humes, S., op. cit.
\textsuperscript{37} Ibid.
perspective. Second, globally competent managers must be locally responsive and learn about many cultures' approaches: languages, tastes and perspectives. Third, global managers need synergistic learning skills that allow them to work with and learn from people from many cultures simultaneously. Instead of simply integrating foreigners into the headquarters' national culture, competent global managers create a culturally synergistic organizational environment. Fourth, global managers need to adapt to living in many foreign cultures. They also need to acquire cross-cultural skills that they can utilize on a daily basis, throughout their career, not just during foreign assignments. They need to apply them in multi-country business trips and in daily interaction with foreign colleagues and clients. Global managers also need extensive foreign experience for both career and organizational development. The development of globally competent managers depends on the corporation's stage of development toward a global corporation and its ability to design and manage global systems that are consistent with the overall business strategy. Pucik argues that in order to truly capture the essentials of the HR contribution to the execution of global business strategies, global corporations need to focus on organizational competencies such as continuous improvement, organizational learning, and a competitive organizational culture. The centrality of the human element in these three competencies makes their integration into global HR systems paramount to the long-term success of global operations.

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38 Adler, N. J., op. cit.
39 Ibid.
40 Ibid.
41 Pucik, V., op. cit.
Strategic Issues In Globally Managing Human Resources:

Managing HR globally has a significant degree of strategic complexity. Global firms are constantly confronted with strategic choices that need to be made to optimize the quality and effectiveness of their diverse employees around the globe. To build and maintain a corporate identity, global firms need to attain a certain level of centralisation and integration in the management of their personnel worldwide. However, in order to be effective locally, they need to adapt to meet the specific cultural requirements of the nations in which they are operating. So, the need for internal consistency must constantly be balanced with the need for differentiation. As reflected in Table 6.1, a firm's business strategy can be primarily domestic, international, multinational or global. However, there is also strong consensus that for HR management to be effective on a global scale, it must be integrated with the overall global strategic planning process of the global operation. Some of the main strategic issues relevant to managing HR globally are expanded in the sections that follow.

Global Strategic Options: Creating Synergy

Amongst Diverse Cultures: Adler\textsuperscript{42} differentiates between five global strategic options that highly effective global managers use, depending on the particular multicultural situation they find themselves in. The options involve balancing "my culture's way" versus "their culture's way." Figure 6.2 highlights the five basic options.

Cultural Dominance: This option calls for a continuation of the way things are done in your own home culture. Relating it to HR practices, it would involve the application of the exact HR techniques

\textsuperscript{42} Adler, N. J., op. cit.
and standards utilized in the parent company. At an organizational level, this approach is often used by corporations that have significantly more power than their counterparts. At an individual level, this approach is adopted by managers who believe that their way is the only right way of operating.

Cultural Accommodation: The accommodation option is the direct opposite of the cultural dominance option. It would involve, for example, choosing to imitate the HR practices of the host country. Learning the language of the nations in which one works is a form of cultural accommodation. This option is typically found in international corporations. Some refer to this approach as "going native" based on the premise that "When in Rome, do as the Romans do."

Cultural Compromise: This option is a combination of the dominance and accommodation approaches. The approach implies that both sides make concessions to work more effectively together. An example of cultural compromise would be for Australian and US. participants on global training to alternate training destinations each year so that participants from both nations spend the same amount of time overseas. This approach is common in multinational corporations.

Cultural Avoidance: This option entails acting as if there were no cultural differences. It would involve, for example, adopting HR practices without any consideration for cultural diversity. An example of a cultural avoidance strategy would be for someone to ignore body language differences, such as lack of eye contact, and to continue conversing as though the listener was paying attention without confronting him due to an "apparent" lack of attentiveness.

Cultural Synergy: This approach entails the development of new solutions to problems that respect each of the cultures involved. An example of this would be Swedish and French business partners speaking in English to one another (assuming this is the language they
both have in common) to prevent either side from being disadvantaged. This option generates creative solutions through the use of cultural diversity. A synergistic approach would foster the development of new and innovative HR systems that combine the best HR practices of diverse nations.

Global Strategic HR Orientations:

Managing Integration and Differentiation: Taylor, Beechler, and Napier\(^4\) distinguish between three generic strategic global HR orientations. The choice of strategic orientation determines the overall

approach to managing the tensions between internal consistency via integration and external consistency via differentiation.

Adaptive Orientation: This approach arises through attempts by senior management to create HR systems for affiliates that reflect the local environment. The adaptive orientation, therefore, has high external consistency with the local environment and low internal consistency with the rest of the firm. Differentiation is embraced through HR practices such as hiring locals and utilizing local techniques. Hence, little, if any, diffusion of HR policies or practices from the parent firm to the affiliates abroad takes place under this approach. International corporations tend to adopt this approach.

Exportive Orientation: This philosophy involves the transfer or replication of the parent firm’s HR systems, policies, and expected practices to the overseas affiliates. The exportive approach has high internal consistency but low external consistency. This orientation is consistent with an ethnocentric approach to HR management and is found predominantly in multinational corporations.

Integrative Orientation: Global firms with this orientation tend to search for best practices and use them organizationwide, throughout the world. The ultimate aim of this approach is to be able to sustain a significant amount of global integration with some elements of differentiation at the local level. The integrative approach is consistent with the geocentric management orientation, combining high internal consistency with moderate external consistency.

Each of these orientations has implications for the nature of HR roles and responsibilities at the parent and affiliate sites. The exportive system retains control of HR systems at headquarters, while the adaptive orientation permits greater autonomy in HR decisions at the affiliate level. The integrative approach engenders greater partnering between the parent company and its affiliates, allowing for greater input...
in HR decision making at the local level while maintaining a substantial degree of global integration and centralized decision-making control at headquarters.

Hence, there are immense challenges associated with staffing, appraising, rewarding, developing, and retaining HR on a global scale. It has also highlighted some of the key ingredients necessary for HR to play a strategic role in co-ordinating global relationships and enhancing cross-cultural synergies. In the new century, HR management faces both new challenges and new opportunities in the global arena. Traditional sources of competitive advantage such as low cost and technology will no longer be sufficient to provide a sustainable edge in the global economy. Modern approaches suggest that HR will provide the key to success in the global marketplace. Limited human resources and not unreliable capital are the biggest constraint when companies globalize. Lack of HR expertise in foreign contexts will no longer be acceptable if corporations are to survive and excel in the global arena. Both individual and organizational global competencies will be essential ingredients for the sustained competitive advantage of global firms. As Taylor, Beechler, and Napier so aptly suggest, the key differentiator between corporate winners and losers in the twenty-first century will be the effectiveness of the human organization. HR management can either respond to this opportunity and embrace the challenges it presents, or it can continue to play the role of supporter to other strategic business areas at the expense of its organization's long-term global competitive edge.