



Global Human Resource Management

Pallvi Vadehra^a, R.C. Lal^b

^aResearch Scholar, MM College, Modinagar, U.P. (India)
Email Id: pallvovadehra@gmail.com

^bAssociate Professor, MM College, Modinagar, U.P. (India)

Abstract

Global Human Resource Management is a complex, multifaceted field that requires Human resource Managers to have the ability to juggle priorities and excel at a number of tasks often strategically. The globalization of business is making it more important than ever to understand how Multinational Companies (MNCs) can operate more effectively.

This paper deals with the latest Trends and complexity of "Human Resource Management" in context of global business. The trends in Global HRM are shaped by competitiveness, downsizing, outsourcing, more diverse workforce and a Cross Cultural Management. On the contrary, the cultural differences significantly affect many aspects of "Global Human Resource Management", such as recruitment and selection, performance appraisal, compensation, career development and retention. The problem here is to balancing and managing the global trends in HRM with the influence and respect of national cultures.

Keywords: Cross Cultural Management, Human Capital Management, Globalization

PAPER/ARTICLE INFO

RECEIVED ON: 31/12/2013

ACCEPTED ON: 31/05/2014

Reference to this paper
should be made as follows:

**Pallvi Vadehra, R.C. Lal
(2014) "Global Human
Resource Management" Int.
J. of Trade and Commerce-
IIARTC, Vol. 3, No. 1, pp.
140-149**

1. INTRODUCTION

The world has become more competitive, dynamic, uncertain, and volatile than ever before with the advent of Globalization. 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 (**Bartlett and Ghoshal, 1992**). 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 While these scenarios suggest paths that MNEs have indeed taken to being internationally competitive, they are being superseded by the need both to manage globally, as if the world were one vast market and simultaneously to manage locally, as if the world were a vast number of separate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 (**Bartlett and Ghoshal, 1992**).

Globalization has increased the workforce diversity and understanding of cultural sensitivities has emerged like never before. The trend is creating a great deal of challenge and opportunity in understanding and conceptualizing exactly how Global organizations 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 Global Human Resource Management. **The preliminary function of Global Human Resource Management is that the organization carries a local appeal in the host country despite maintaining an International feel.**

2. OBJECTIVE OF GHRM

The objectives of global HRM are:

1. Create a local appeal without compromising upon the global identity.
2. Training upon cultures and sensitivities of the host country.
3. Generating awareness of cross cultural sensitivities among managers globally
4. Hiring of staff across geographic boundaries.

3. TRENDS IN GLOBAL HUMAN RESOURCE MANAGEMENT

There are several trends that have impacted Global human resource management and awareness of these trends is helping human resource management (HRM) globally foresee potential changes in the work environment. Global HRM places greater emphasis on a number of responsibilities and functions such as relocation, orientation and translation services to help employees adapt to a new and a different environment outside their own country. There are six key business dimensions in process of Human Capital Management (HCM):

- **Strategy** - the global HR strategy and the alignment of that strategy with the overall business strategy.
- **Organization** - the global organization design and service delivery model and how well aligned the organization is with the overall strategy and goals.
- **People** - the global talent acquisition and development approaches and the skills and competencies needed to achieve the business objectives.
- **Process** - the global business processes to ensure that the right structures are in place for effective, efficient and quality operations.
- **Technology** - the global tools and systems to support the organization's strategy, people, processes and

measurement requirements.

- **Selection** -of employees requires careful evaluation of the personal characteristics of the candidate and his/her spouse.
- **Training and development** extends beyond information and orientation training to include sensitivity training and field experiences that will enable the manager to understand cultural differences better. Managers need to be protected from career development risks, re-entry problems and culture shock.
- **Compensation systems** should support the overall strategic intent of the organization but should be customized for local conditions.
- **Performance evaluations** to balance the pros and cons of home country and host country evaluations, performance evaluations should combine the two sources of appraisal information.

In many European countries Organizations typically negotiate the agreement with the unions at a national level. In Europe it is more likely for salaried employees and managers to be unionized. Education is playing a critical role in the development of a qualified and diversified workforce. The rise of Asian economic power will affect the West ability to capitalize developing markets in that region; Globalization of companies is moving jobs around the world; Technology is accelerating as more companies and countries become technologically advanced. These trends mark significant challenges to domestic and global organizations with respect to workforce development, retention and recruitment.

4. ISSUES IN GLOBAL HRM

- The variety of Global organization model exist
- The extent to which HRM policy and practice should vary in different countries.
- The problem of managing people in different environment and cultures.
- The approaches used to select, deploy, develop and reward expatriates who could be national of parent company or Third country nationals.

5. THE AFFECT OF GLOBALIZATION

Globalization is influencing organizations to use resources from around the world and take advantage of cheaper labour in foreign countries or to do business in another country. For example, Western companies, like Microsoft, use substantial outsourcing/off shoring in developing countries, and companies, like Citigroup too are attempting to position themselves or take advantage of global markets.

Developing countries like India and China were, at one time, taking away only low-wage jobs, but now they are taking more skilled and higher paying jobs from the industrialized world.

Globalization requires that global organizations have the ability to effectively manage teams in different parts of the world and to maintain communications throughout the whole organization. Apart from that, understanding or acceptance of diverse cultures of different counties will be critical for successful organizations.

Organizations are placing stronger focus on administrative efficiency and cost control over activities that enhance strategic value. While the globalization process is clearly continuing, there

has been a distinct slowdown this year. It seems that 2010 was a year of optimism, while 2011 looks to be a year of correction and return to caution.

This year's *Global Survey* addresses these two issues: what challenges are organizations facing in going global with HR and HR technology and what successes are they finding in their journey that demonstrates the benefits of all their hard work.

6. CHALLENGES AND SUCCESSES IN GLOBALIZATION

While there are many challenges in working globally, there are also many successes. One distinct challenge when working globally is dealing with cultural differences. For the last few years, this has been cited as the top challenge by respondents to the *Global Survey*, even though this year it has fallen into few top places of working across time zones and a general lack of resources.

While cultural differences are clearly a challenge, cultural diversity and appreciation has also been cited by more than half of survey respondents as one of the top successes in working globally, indicating that global organizations are making progress in integrating cultural differences into the workplace and shifting away from the previously held ethnocentric views that dominated global organizations in the past. Year-over-year, international compliance and the legal environment are cited as a challenge by close to a third of respondents, along with technology/systems and data quality/integrity.

Year-over-year, roughly thirty percent of respondents see technology and systems as a challenge and only a quarter (25%) are experiencing success, demonstrating that there is significant room for improvement in this area.

The best news is that in going global, organizations are finding success: 30% more are citing greater success with talent development and 10% more are seeing success in enhanced business performance over the last four years. So while there may be many challenges, the results are paying off!

These factors are shown in figure 1 and figure 2 according to the Global survey few factors are marked for successes in organization after Globalizations and few are still a challenge and reason for failure in Global organization.

Fig. 1



Fig 2



7. STRATEGY: GLOBALIZING AND ALIGNING HR STRATEGY AND PLANS

According to the global survey, here we see a very clear trend in that more organizations are developing and managing the processes at the global level. Management of global HR strategy has increased in 2011. Involvement of HR and the staff from all levels of the organization i.e., business sites, countries, regions, business units, and global headquarters-appears to be in flux over the four years of our study.

“Top-performing organizations involve HR from the local business sites, countries, and business units in the strategic planning efforts ... a third more often than the bottom performing organizations... Clearly, leveraging the collective know-how and local Knowledge of the organization’s local and regional HR teams adds value to the strategic planning process and to any broad-based business initiatives.”

In spite of local HR in the strategic planning process, we are seeing a decline in local involvement and a movement towards a more top-down strategic planning process. We project that this may be due to a stronger focus being placed on administrative efficiency and cost reduction as a result of the current economic situation. Additionally, recent research from the McKinsey Global Institute has found that “high-performing global companies consistently score lower than more locally focused ones on several critical dimensions i.e., direction setting, coordination and control, innovation, and external orientation.” While there are many successes with globalization, it does not come without penalties. McKinsey goes on to suggest that there is an important relationship between “balancing local adaption against global scale, scope, and coordination.”

8. ORGANIZATION: RISING GLOBAL ORGANIZATIONAL MODEL

One pervasive trend that we continue to see is a movement towards a more centralized, Standardized and global organizational model. Following the *Global Survey* asks respondents to classify their organizational structure according to one of the four following models:-



- **Multinational:** focused on flexibility and local responsiveness; highly decentralized with multiple, independent locations, united primarily through financial reporting.
- **Global:** focused on centralization and efficiency; highly centralized and standardized, with major decisions made at corporate and then rolled out to local operations.
- **International:** focused on learning and sharing; moderately centralized, leveraging competencies and sharing learning from both corporate and local operations.
- **Transnational:** focused on efficiency, flexibility, and learning; combines leveraging efficiencies, maintaining flexibilities, and sharing learning and innovations worldwide.

Clearly each of these models has its strengths and weaknesses. Over the last few years, we have seen a steady rise in the “Global” organizational model with more and more organizations reporting that they are following the “Global” structure, undoubtedly in search of standards, efficiencies, and cost savings. According to an International newspaper in 2008, just 22% of organizations reported that they followed the “Global” model, while in 2011, 35% of organizations reported the same. This transition is at the expense of the “Multinational” and “Transnational” models, and we contend that it is a direct outcome of the global economic slowdown we have been experiencing since 2008.

9. GLOBALIZATION’S INNOVATIVE AND BEST PRACTICES

According to the *Global Survey* some examples of innovative or “best practices” that the organizations have implemented in their organizations. Here is a sampling of some of the most noteworthy responses:

9.1 Strategy

- Development of new global strategy.
- Implementation of Six Sigma type processes.

9.2 Organization

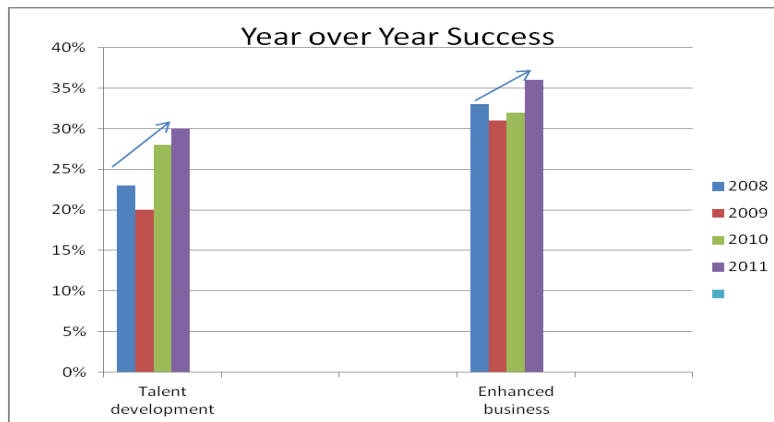
- World class governance model.
- Affinity groups / Leadership Round tables at managerial and non-management levels.
- Decentralizing operations by putting support personnel in each major geography.
- Globally disbursed centrally managed business functions.

9.3 People

- Global partnering, one-team, flexibility and teaming.
- Building relationships with international colleagues and learning about local practices.
- Local and regional training centers.
- Sense of humor.
- Staying calm and to help others relax.
- Guiding and training with respect.

9.4 Process

- Seamless attitude to distance/time-zones, enabling a true 24x7, follow-the-sun group.
- Applying both top-down and bottom-up approaches when implementing programmes.
- Requirement for global processes unless there is a bona fide reason not to.



10. GLOBALIZATION CHALLENGES IN THE COMING YEARS

What could be the biggest global challenge for the organizations in the coming three to five years?

Here are some of the challenges we can expect:

10.1 Strategy

- Current economic climate and determining where/how to invest for continued growth.
- Establishing strategic direction on Global HR processes and programs.

10.2 Organization

- Migrating to more consistent practices when the reporting lines still remain somewhat regionalized.

10.3 People

- Unwilling to add headcount and those doing the work are becoming burned-out and disengaged because of the strain.
- Retaining global staff given increasing global market competition in the workforce.
- Global growth using local management.
- Cultural competence and qualified resources.
- Understanding and motivating the global Gen Y with our company's leadership of 50+ year olds... changing the landscape in Asia and the Mid East.
- How to effectively utilize diversified language and multicultural staff.

10.4 Process

- Finding a common ground between local office creativity and business needs and common practice and metrics.
- Integrating operations for global consistency.
- Market conditions, emphasis on compliance, and government intrusion.
- International compliance and governance.

10.5 Technology

- Lack of integrated HR Information Systems: Talent Management, Time recording, Compensation, Benefits, Payroll.
- Struggling to get data from the local regions.
- Being in transition, moving all countries to common HR technologies.

10.6 Management

- Development of predictive tools with economic and market data for planning ahead better than competition.

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