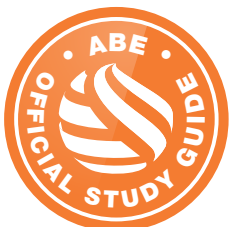


Your road to success

**LEVEL 6
CONTEMPORARY
DEVELOPMENTS IN
GLOBAL HRM**



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Contents

Using your study guide	iv
Chapter 1 The Concept of Globalisation	2
1.1 Globalisation	4
1.2 The main aspects of globalisation	14
1.3 Management action in multinational corporations	21
Chapter 2 International Strategy and Organisational Structure	30
2.1 The nature of the transnational strategy and structure	32
2.2 The political dimension to cross-border mergers and acquisitions	37
Chapter 3 Challenges Involved in Managing an International HR Function	44
3.1 Tailoring practices to fit local conditions	46
3.2 How practices may operate within and across a multinational corporation (MNC)	51
3.3 The benefits and challenges facing a transnational worker	58
Chapter 4 The Process of Integrating Cross-Cultural Teams	64
4.1 Cross-cultural models	66
4.2 Cross-cultural integration processes	72
Chapter 5 Existing and Emerging Models of HRM within a Global Context	78
5.1 Aligning HR strategy and plans	80
5.2 Globalisation's innovative and best practices	84
5.3 The challenges for HRM in the global world	92
Glossary	98

Using your study guide

Welcome to the study guide for **Level 6 Contemporary Developments in Global HRM**, designed to support those completing their ABE Level 6 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities
Element 1: Globalisation and internationalisation of management	<ul style="list-style-type: none"> • Critical understanding of the concept of globalisation and the subsequent impact on the internationalisation of management <p><i>Critical thinking, global strategy, leadership and management, awareness of contemporary issues</i></p>
Element 2: International strategic intentions	<ul style="list-style-type: none"> • Ability to evaluate strategic intentions of organisations and the challenges involved in cross-border mergers and acquisitions <p><i>Critical thinking, global strategy, problem-solving, political and cultural considerations</i></p>
Element 3: Managing internationally	<ul style="list-style-type: none"> • Ability to analyse the challenges of managing internationally and critically reflect upon their own managerial skills to operate in multinational companies <p><i>Reflection and self-development, leadership and management, cultural considerations, environmental scanning and analysis, ethical issues</i></p>
Element 4: Integrating cross-cultural teams	<ul style="list-style-type: none"> • Ability to identify the potential issues in cross-cultural teams and to suggest resolutions through appropriate cross-cultural models and integration processes <p><i>Cross-cultural management, cultural sensitivity, leadership and management</i></p>
Element 5: Emerging HRM models within global context	<ul style="list-style-type: none"> • Ability to synthesise a variety of trends in current political/economic theory to establish emerging HRM models in a complex global context <p><i>Critical thinking, analysis, problem-solving, decision-making, strategic leadership and management, awareness of new and emerging HRM models</i></p>

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the syllabus learning outcomes covered and the assessment criteria.

L6 descriptor

Knowledge descriptor (the holder...)	Skills descriptor (the holder can...)
<ul style="list-style-type: none">• Has advanced practical, conceptual or technological knowledge and understanding of a subject or field of work to create ways forward in contexts where there are many interacting factors.• Understands different perspectives, approaches or schools of thought and the theories that underpin them.• Can critically analyse, interpret and evaluate complex information, concepts and ideas.	<ul style="list-style-type: none">• Determine, adapt and use appropriate methods, cognitive and practical skills to address broadly defined, complex problems.• Use relevant research and development to inform actions.• Evaluate actions, methods and results and their implications.

The study guide includes a number of features to enhance your studies:



'Over to you': activities for you to complete, using the space provided.



Case studies: realistic business scenarios to reinforce and test your understanding of what you have read.



'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.



'Need to know': key pieces of information that are highlighted in the text.



Examples: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading lists: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout denoting **glossary terms** located at the end of the study guide.

Note

Website addresses current as at November 2017.

Chapter 1

The Concept of Globalisation

Introduction

Global Human Resource Management (HRM) is a field of study examining HRM practices and policies in **multinational enterprises (MNEs)**. International organisations face the same challenges as all organisations in ensuring they can attract, recruit, develop and retain the right people, with the right skills they need at the right time to achieve the organisation's goals. However, working globally means that HRM practitioners must manage in an international business environment with the accompanying complexities this brings. This requires a greater level of understanding of the external context, balancing the needs of a variety of cultural settings and managing in different business systems.

This study guide focuses on developments in this global context of HRM. You will explore existing and emerging models of HRM and will consider the impact of the global environment on these models, including international policy, law and regulation.

You will also consider the concept of **globalisation** and its effect upon international management practices.

Learning outcome

On completing the chapter, you will be able to:

- 1 **Critically analyse the concept of globalisation and its effect on the internationalisation of management**

Assessment criteria

- 1 **Critically analyse the concept of globalisation and its effect on the internationalisation of management**

- 1.1 Critically analyse the concept of globalisation and consider economic globalisation within the context of cultural, social, political and technological change
- 1.2 Analyse the main aspects of globalisation and its implications for international management
- 1.3 Critically examine the different levels of analysis for understanding management action in multinational corporations

Level 6 Contemporary Developments in Global HRM

Background

Politically, economically and socially, globalisation is a hot topic. Recent political developments such as the UK's decision to leave the European Union, the failure of the international community to respond appropriately to the crisis in Syria and President Trump's call to make "America Great Again" highlight the growing tensions surrounding the issue of globalisation. Firstly, we must recognise that globalisation can mean different things to different people. From the perspective of travel, communication technology, information sharing and reducing the complexities of doing business across borders, globalisation can be seen as having contributed to the development of a global village, bringing disparate people together and developing a common purpose. On the other hand, it can be viewed as being responsible for the economic exploitation, destruction of **culture** and the dilution of the nation state.

From the perspective of contemporary development in global HRM, our interest is in the development of international trade co-operation through the free movement of goods, services, capital and people between countries. The capitalist market system seeks new markets around the world, and many national governments have recognised the need for their economies to be part of the global marketplace to improve economic performance at a local, regional and national level. The trade-off is the disruption that globalisation brings and those who see themselves as losers as a result of global interference in their nation state.

Within this dynamic, volatile and fast moving context, HRM practitioners must navigate the business environment in which their organisation operates at a local, regional, national and international level. They need to understand the implications of context on HR practices and policies in areas such as employment law, workforce dynamics and the business environment.

OVER TO YOU

Activity 1: Is globalisation inevitable?

José Manuel Barroso, former prime minister of Portugal (2002–2004) and the eleventh President of the European Commission (2004–2014), said, "The dynamic of globalisation in financial and economic terms, but also in geopolitical terms, confronts Europeans with a stark choice: live together, share a common destiny and count in the world; or face the prospect of disunity and decline."¹

Having read this statement, consider whether you believe that globalisation is inevitable. Give reasons for your answer.

¹ Barroso, J. M. (2013), "The speed of the European Union can no longer be the speed of the most reluctant member", *The Guardian* [online]. Retrieved from: www.theguardian.com/business/2011/nov/13/jose-manuel-barroso-speed-of-european-union [Accessed on: 19 October 2017]



1.1 Globalisation

The world economy is being shaped by globalisation. Although it is not a new phenomenon, with global trade taking place even during Roman times, modern day globalisation is having a far greater impact economically, politically and socially than at any other time in human history.

Definition of globalisation

Globalisation from the perspective of a business and market process has a number of different definitions; for example:

“*The geographic dispersion of industrial and service activities, for example research and development, sourcing of inputs, production and distribution, and the cross-border networking of companies, for example through joint ventures and the sharing of assets.*”

Organisation for Economic Co-operation and Development (OECD)²

“*The process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies.*”

International Monetary Fund³

Globalisation can be viewed from the perspective of expanding the trade of goods and services between different countries, including the development of internationally recognised brands such as McDonalds, Samsung and SABMiller. Globalisation can also mean the development of production and support services, outsourcing and offshoring where specific elements of an organisation are distributed globally in locations where it is most economically advantageous to the organisation. This type of globalisation has been particularly beneficial to countries with large labour forces and lower labour costs such as China, India, Brazil and Russia, at the expense of low skilled labour in developed economies.

² Riley, G. (n.d.), *Economics* [online]. Retrieved from: www.tutor2u.net/economics/reference/globalisation [Accessed on: 23 October 2017]

³ IMF (2002), *Globalization: A Framework for IMF Involvement* [online]. Retrieved from: www.imf.org/external/np/exr/ib/2002/031502.htm#P14_79 [Accessed on: 23 October 2017]

National governments also make investments globally using sovereign wealth funds such as the China Investment Corporation's (CIC) investment in mines in Africa, the United Arab Emirates (UAE) buying United Kingdom (UK) assets and the Japanese Government Pension Investment Fund (GPIF) investing in the United States of America (USA).

The impact of globalisation can be seen in the increasing interdependence of national economies on each other, and the reverberations of economic shocks such as the 2008 credit crunch which led to a decline in world trade. However, emerging markets and countries which are newly industrialising are less affected by the global slowdown and have been growing at a faster rate than more developed economies such as the US and the UK, and those of Western Europe.



OVER TO YOU

Activity 2: Defining globalisation

Using your own words, consider how you would describe globalisation to one of your colleagues.

Globalisation and communications

Communication has become easier due to the development of global communication technology such as fibre optics, satellites and computer technology. Over the past decade new information technologies have opened up information to more people internationally, and sources of knowledge are increasingly easy to access. As this global communication network has developed, there has been a rapid increase in the use of English as a first or second language, making English an international language, particularly in the fields of media, computer sciences and trade.

Globalisation and markets

Markets have expanded globally, with an increasing number of international free trade agreements, greater levels of **deregulation**, rapid privatisation and growing customer sophistication. This has led to an unprecedented level of movement of products and services across the globe with location no longer a barrier to doing business. The labour market has also expanded and the free movement of people has become a critical and increasingly contentious issue in geopolitical and geosocial commentary.

Globalisation and production

Multinational corporations (MNCs) throughout the world are co-ordinating and integrating product design, production, sales and services across the globe. As country-specific barriers fall, businesses are more able to move production to where it is most economically viable. However, this has led to accusations of exploitation of cheap labour sources, especially in countries with weak labour protection.

Globalisation and finance

Regulatory developments have established clear standards for trade, finance and capital movement throughout the world. The interconnection of finance has led to greater levels of innovation, driving growth and cross-border capital movements, leading to a flow of capital and liquidity that can be dispersed easily to different countries and regions. Multinational corporations are able to fund their activities through a variety of national and international capital markets, increasing the level of activity in mergers and acquisitions.

Globalisation and currency

A benefit of globalisation and the entry of a multinational corporation into a local economy is that the corporation brings both wealth and foreign currency, which they use to purchase local resources, products and services. This investment can significantly improve the levels of spending on education, health and infrastructure. However, global money markets mean that sovereign governments have less control over their national economies than previously. Speculative capital flow has increased the volatility of currency markets, with exchange rates influencing economic transactions, specifically in trade, investment, finance and tourism. Government monetary policy, therefore, is being led by the international currency markets, rather than policy informing the currency market.

Globalisation and organisations

In today's marketplace the ability of an organisation to operate on an international basis is becoming a key component of competitive advantage. The global marketplace has led to an increase in cross-border mergers and acquisitions with an increasing number of global organisations based in developing countries. Technology and the speed of information flows have now increased the speed of disruptive players and reduced the cost for new entrants in the market, resulting in a far riskier, dynamic and fluid operating environment. Organisations are also increasingly influential beyond their industry and very often impact culturally, socially, politically and economically.

Globalisation and ecology

Globalisation has certainly increased awareness of issues such as the effects of climate change, deforestation and rising sea levels and has increased demands for sustainable development at national, regional and local levels. Attempts to come to a global agreement on climate change have stalled repeatedly, with the most fundamental advancement being the Paris climate agreement at the 2015 United Nations Climate Conference (COP 21), the twenty-first conference of its kind since being set up by the United Nations in 1992. However, there has been criticism of multinational corporations setting up production plants in countries with less stringent environmental regulation.

Globalisation and consciousness

Globalisation is a process by which the world has become increasingly interconnected. Sharing of human values, ideas and culture has promoted globalisation as a way by which unity can be

achieved in the global context. Proponents of globalisation would argue that it promotes the sharing of ideas, experiences and cultures, giving rise to a global consciousness of the multi-faceted nature of the human race. The sharing of products, food, music, language, etc. through both travel and media means that you can experience elements of cultures different to your own, regardless of where you live. However, globalisation is often resisted because of the belief that the march of organisations and cultures, specifically from the West, are overwhelming traditional local cultures and replacing them with a commodified and homogenised **transnational** culture. There is also a populist backlash and retrenchment based on fear of foreigners that has led to increased nationalism.



Figure 1: Globalisation



Change and the impact upon organisations

The globalisation trend has led to significant changes in the lives of citizens of every nation in the world. These technological, psychological, political and economic changes have also had an impact upon organisations.

Technological

As globalisation has accelerated, the barriers of time and geography have diminished. Personal computing, access to the internet and the growth of mobile communications have significantly impacted how we work, who we work for, social interaction and even leisure activities. We can connect, collaborate and acquire knowledge and information in real time regardless of where we are on the planet. Robotics, computer algorithms and big data are transforming production, driving efficiency and reducing the need for human involvement in the process, to the point where researchers are pondering a future without work.

The digital age is succeeding the information age. Organisations can now use sophisticated techniques to communicate directly with individual customers, the 9 to 5 work day has been replaced with 24/7 and technology has driven the expectation of instantaneous response to customer demands. This same technology can be used by HR to communicate with their workforce, sending email reminders to staff to update their holiday requests, sending push notifications to managers on their smartphones telling them to complete staff appraisal forms, or texting participants to complete post-training activities.

In addition to the revolutions in information and communication there has been a revolution in transportation. The logistics of moving people and goods to where they are wanted has been enhanced by better transport links and faster and more reliable forms of transportation, whether these are ships, trains, trucks or planes. Transportation technology has provided the equipment, which means that even in remote settings cost effective production, assembly and movement of goods can take place. In short, technology has shrunk the world to make it easier for business.

Psychological

The paradigm of employment is shifting in a business environment which is operating 24/7. The traditional, permanent and full-time 9 to 5 employment is becoming less common. Work is becoming more transitory with few organisations able to offer the prospect of a “job for life”, and this has had an impact on organisations with regards to the **psychological contract** between employee and employer. Attitudes towards work are changing as the loyalty to the “local employer” is being replaced by a rapidly changing employment market where individuals are expected to not only change employer regularly but also to navigate several career changes over their lifetime. As organisations fight to find ways to drive employee engagement and commitment, new attitudes and values are being adopted concerning individual expectations of work and workplace change. On the one hand, low skilled workers are subjected to zero hour contracts, low pay and uncertain work opportunities. On the other, highly qualified individuals with sought after skills can negotiate their own contracts and demand high pay and excellent benefits.

Consumerism has been a driving force behind globalisation, with organisations able to offer consumers an abundance of products and services which would have been impossible to generate even two decades ago. Consumers and marketers are locked into a cycle of choice, demand and expectation. Free trade agreements and globalisation have increased the variety of goods available to the consumer at the same time that a downward pressure on price has made what were once considered luxuries affordable. Keeping pace with the increase in choice, there has been a growing **convergence** of customer tastes. This means that regardless of geography, nation state or cultural background, consumers across the globe are beginning to exhibit the same preferences for clothing, TV, film, music and gaming, reducing the requirement for organisations to develop country-specific products.

Over the last twenty years, countries across the globe have started to increase access to education and skills training in order to maximise growth in the economy and attract multinational corporations to invest in their country. This has had a dramatic impact on global educational gains. Although there is still a long way to go, specifically in regard to female participation in education in sub-Saharan Africa and in regions affected by conflict, tens of millions of children who did not previously have access to education now do. In developed and industrialised nations there are record levels of high school graduations, often with students continuing to third level education. The impact of such educational shifts has redrawn the map as to where highly skilled and educated workforces can be found and this is impacting organisations’ decisions about talent acquisition and the shape and location of their global workforce.

Political

Policy makers and governments have until recently embraced what they promoted as the opportunities that globalisation presents for inward investment, national economic development and stability. Since

the end of World War II, there has been a significant reduction in trade barriers and a growth in the development of regional trading blocs such as the EU, NAFTA and ASEAN. This has reshaped the world map in regard to traditional notions of allies and enemies, elasticating frontiers and leading to convergence of product and service standards and regulations. In the 1980s a number of Western governments embarked on a programme of privatisation, developing political ideological lines aligned to **neo-liberal** free market economics. More recently, countries with a strong communist or socialist political culture, such as China, have begun to embrace a nuanced approach to accepting the need to open their economy to global trade and respond to market forces, although this is heavily regulated by the government.

A significant impact for multinational corporations trading across borders has been the slow response of government, under whose jurisdiction legal challenges can be mounted, to protect intellectual property rights. From the government perspective, political challenges are posed by the tax arrangements of multinational corporations. Organisations seek to structure their business in such a manner as to most reduce their tax burden. However, this leads to accusations of tax avoidance and the problem this causes governments in regard to citizen perceptions of fairness in the tax systems. At the same time, governments will go to extraordinary lengths to attract multinational enterprises to regions, to the extent of reducing corporation tax, offering grants and funding and deregulation.

! NEED TO KNOW

Regional trading blocs

European Union (EU) – A political union between 28 member states in Europe (this will reduce to 27 members following the exit of the UK in 2019 – known as “**Brexit**”)

North American Free Trade Agreement (NAFTA) – A tri-lateral trade bloc that covers Canada, the United States of America and Mexico

Association of Southeast Asian Nations (ASEAN) – A cultural, economic and political development region between ten member states in Southeast Asia



📄 CASE STUDY: APPLE VERSUS SAMSUNG

A fight over patents

Over an eight-year period from 2007 to 2015, the US technology giant Apple became locked in an ongoing legal battle with Samsung. Between them they filed more than 50 patent lawsuits against each other in over 20 countries.

The lawsuits covered claims of patent, trademark, user interface and style infringements against Samsung and the Google Open Handset Alliance, covering both hardware and software. Samsung counter sued regarding mobile communication patent infringement.

The products included both mobile phone and tablet devices.

The global consumer mobile communication market was extremely competitive and by 2011 Apple and Samsung were involved in litigation in 10 countries in 20 legal disputes at the same time.



Apple was initially awarded \$1.05 billion by the jury in the first lawsuit in California in 2012. This was reduced to \$290 million in the 2013 retrial but Samsung successfully fought off a motion by Apple to halt US sales of their devices. Samsung won lawsuits in South Korea, Japan and the UK, and a limited ban on particular Apple products in the US.

At various points both companies have faced injunctions or outright bans on the sale of specific technology models and software in specific regions, impacting consumers and the smartphone industry. Even when a lawsuit was successfully won, the opposing side would appeal and the legal circus would begin again.

In 2015 Samsung agreed to pay Apple \$548 million for the infringement of the company's patents and in 2016 Apple won a US ban of Samsung software features; however, the ban applied only to software in products that are obsolete so it was a moral rather than commercial victory.

As this study guide is being written, the initial infringement case relating to the 2007 iPhone is returning to the original court in California, where the first Apple vs Samsung case began, for a new trial on damages.

More recently, the political landscape has been changing. Historically, it could be argued that the UK and USA were leaders in pushing the globalisation agenda, but 2016 saw the introduction of "America First" rhetoric in the USA and the UK vote to leave the EU. The political future of globalisation is therefore less certain, but, as the UK is discovering with Brexit negotiations, it is difficult to disconnect from something that is so strongly interconnected and interwoven into the workings of the national economy. Multinational corporations have to consider whether they should remain located in the UK economy and are grappling with the uncertainty being caused by this political decision.



OVER TO YOU

Activity 3: The impact of political instability

Changes in government political agendas can have a significant impact on business, even in countries which are perceived to be politically stable.

Using an organisation with which you are familiar, research how political changes have impacted the organisation.

For example: changes in legal frameworks can result in less business-friendly policies.

Economic

There has been a significant convergence of economic ideology and thinking across the world due to globalisation, with a growing acceptance of neo-liberal, free market ideas. The global economic system was significantly challenged during the 2008 credit crunch, which perhaps highlights the issue with world financial markets in that if one country's economy is struggling it has a domino effect across the world. However, world financial markets and global trade survived following significant intervention from sovereign states to ensure that the economic system did not collapse. This intervention led to a growth in regulation, specifically in the banking industry, in a concerted effort to avoid the issues created by private organisations becoming too big to fail.

Economically, globalisation has contributed to the biggest significant increase in incomes globally compared to any other time in human history. This has particularly impacted organisations who have moved their operations abroad to take advantage of cheap labour, as local workforces are demanding higher wages and thus negating the benefits of offshoring. Although local areas or regions may have been affected negatively, global trade has led to greater opportunities for organisations to expand their markets and grow their operations, but it means multinational corporations may be achieving significant growth in one region while experiencing loss in another. As well as multinational corporations, individual entrepreneurs are able to sell their products and services from their kitchen tables wherever they are in the world. Individuals who started out this way prior to becoming global brands, such as Misguided and Boohoo, have challenged established corporate giants and in a short period of time have become major multinational corporations themselves. Global competition is therefore dynamic and fast moving, with new entrants able to grow quickly and organisations, such as Uber, able to disrupt long established industries.

Social and economic factors

Globalisation has many critics and the most vociferous criticism is linked to the idea that globalisation is some form of **imperial capitalism** oppressing unwilling nations and subjecting them to exploitation, injustice and inequality. Although it is argued that globalisation can increase social mobility, expanding opportunities to improve people's lives economically, there is little to evidence to support this idea.

Globalisation is also seen as increasing the gap between the haves and the have nots, not just in developing nations but also in the industrialised nations. It appears that multinational enterprises take a majority share of the profit and wealth generated from global operations whilst workers continue to live in poverty. In many ways, the criticism of globalisation is the criticism of neo-liberal capitalism. Although some economies, and their citizens, are net beneficiaries of globalisation, other countries are losing out and seeing their economies falter as a result of global competition. The downsides of globalisation, such as increasing levels of unemployment caused by organisations shifting their operations to other countries, the financial structure of multinational corporations, and the levels of labour movement across the globe have led to a backlash against globalisation, especially in Western economies which are struggling with the societal repercussions of **deindustrialisation**. For example, car manufacturers haven't stopped making cars, yet Detroit in the USA, which used to be known as motor city, filed for bankruptcy in 2013 due to offshoring and deindustrialisation.

Increase in social tensions and inequalities

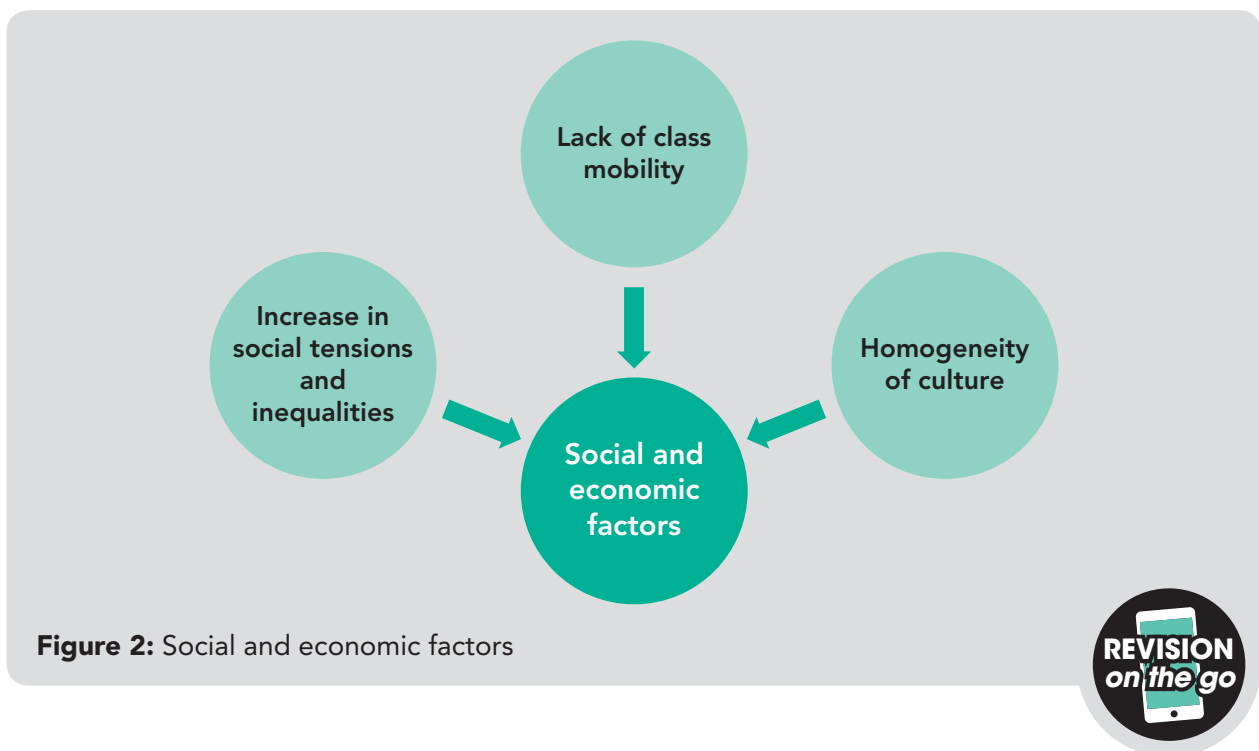
Inequalities are inherent in the global economic system. Despite corporate profits growing in developed economies, the majority of workers have seen their income drop in real terms. The wealth generated by globalisation is not shared equally, and although shareholders may see their investments increase in value, multinational enterprises have been criticised for the low levels of tax they pay in the countries in which they operate. The result is little investment in the social infrastructure of the societies in which they operate and this lack of improvement in quality of life is leading to increasing levels of unrest and tension.

Lack of class mobility

In the UK there is a saying, “born with a silver spoon in your mouth”, which refers to how individuals born into families who are wealthy have an automatic advantage in life. This adage is apt when considering class mobility in the context of globalisation. Those who begin life in poverty do not have the same advantages as those who are born into wealthier circumstances. Whether it is security, access to food, early life support, education or leisure, the social infrastructure that supports mobility is made more difficult if you start from a place of disadvantage. Globalisation exacerbates this problem because of the reduction in funding for public interventions that equalise, such as public education, state universities, public parks and public services. Attempts to reduce the impact of globalisation have been resisted with a dominant ideological perspective of the “trickle down” effect and rejection of government interference in the market.

Homogeneity of culture

The fast pace of globalisation has led to criticism that local cultures have not had the opportunity to adjust or respond in a way in which to survive the influx of other cultures. This had led to accusations that globalisation has resulted in **homogeneity** and the loss of native cultures. With English becoming the international language of business, people in countries where English is not a national language often need to use English rather than their own native language in order to participate in global business and ensure that they are economically active.



Transnational institutions

The formation of transnational **institutions** such as the World Trade Organisation (WTO), United Nations (UN), the World Bank, the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) have been essential political forces facilitating the growth of globalisation. These institutions act together to support economic growth, raise living standards and reduce poverty around the globe.

International Monetary Fund

Established in 1945, the central role of the IMF is to ensure the stability of the international monetary and financial system. It is made up of 189 member countries with a mandate to facilitate the expansion and balanced growth of international trade, ensuring exchange stability, and monitoring the orderly correction of countries' balance of payments problems.

World Trade Organisation

The WTO was established in 1995 and focuses on the management of the international trading system, to support a sound system for global trade and payments. It has 164 members and supports the flow of international trade between countries, and the rules which govern this. It also deals with any disputes over trade issues.

Organisation for Economic Co-operation and Development

Established in 1960, the OECD has been described as a think tank or monitoring group, where economic and social policy ideas are discussed. Its members consist of 34 democratic countries, which support free market economies. In addition to supporting economic development and co-operation, the OECD seeks to fight poverty by improving the standard of living, reducing the environmental impact of growth, expanding world trade and supporting social development.

United Nations

The UN was established in 1945 in the aftermath of World War II; its charter empowers it to take action on a variety of issues confronting humanity, including peace and security, disarmament, terrorism, climate change, sustainable development, human rights, and humanitarian and health emergencies. In essence, the UN seeks to provide a forum by which governments can come to agreements and solve problems.



Figure 3: Transnational institutions



 OVER TO YOU

Activity 4: Transnational institutional support

Pick one of the transnational institutions described. Research how the institution has supported your home country in the last five years.

1.2 The main aspects of globalisation

There has been a recognition since the early 1990, that globalisation would require the upskilling and resourcing of managers to deal with the challenges posed by the global market. In addition to the awareness of the responsibilities globalisation would create in regard to multinational enterprises, there was also growing concern on the part of governments and institutions about the unique power that transnational corporations would wield due to globalisation. This mix of challenge and concern led to the development of the field of international management. Initially defined as managing across borders and concerned only with private multinational corporations, the field has developed to encompass a broader remit of “organising projects around the world” (Boddewyn et al., 2004, p. 196)⁴ in both private and public organisations and developed and developing countries.

There are several aspects to international management, as shown in Table 1 below.

Economic integration	Managing the benefits of trading in the global economic system to take advantage of the integration and the expansion of free markets and free trade agreements leading to increased exchange and global growth.
Political destratification	Navigating economic expansion through the pitfalls associated with the acceleration of political integration and destratification . The free market has become a dominant ideology even in communist and socialist states, and opportunities are emerging as national governments privatise the public sector.
Cultural diversity	Focusing on national differences and cultural diversity in a positive way to aid global expansion and economic development across a number of countries and regions.

⁴ Boddewyn, J. Toyne, B. and Martínez, Z. (2004), “The meanings of ‘international management’”, *Management International Review*, Vol. 44, Issue 2, pp. 195–212

Competition	Managing the enhanced competition from foreign brands and companies, ensuring that the multinational enterprise improves standards, quality and customer satisfaction in order to compete globally.
Technology and know-how	The management of knowledge and learning across borders through the use of technology to ensure the organisation's knowledge base grows and expands simultaneously.
Opportunity	Using the availability and growth of industry sectors and capital resources to provide opportunities for people to develop and grow. This may be providing global job opportunities to individuals and supporting immigration to give people the chance to grow economically and socially.
Investment	Appropriately channelling the rising levels of foreign investment in countries to support the growth of industry and native cities. The international manager will need to input positively to the management of the flow of imports and exports, resources and capabilities.

Table 1: Aspects of international management



OVER TO YOU

Activity 5: Privatisation

Research the impact that globalisation has had on the economic structure of your national economy. Map the changes that have occurred in your country in regard to the economic mix between private sector and public sector. Can you find any evidence that would suggest that services that would once have been delivered by the public sector and government agencies are now being delivered by private companies?

For example: liberalisation and pro-business reforms of the Indian economy in the 1990s leading to the privatisation of some state-owned enterprises.

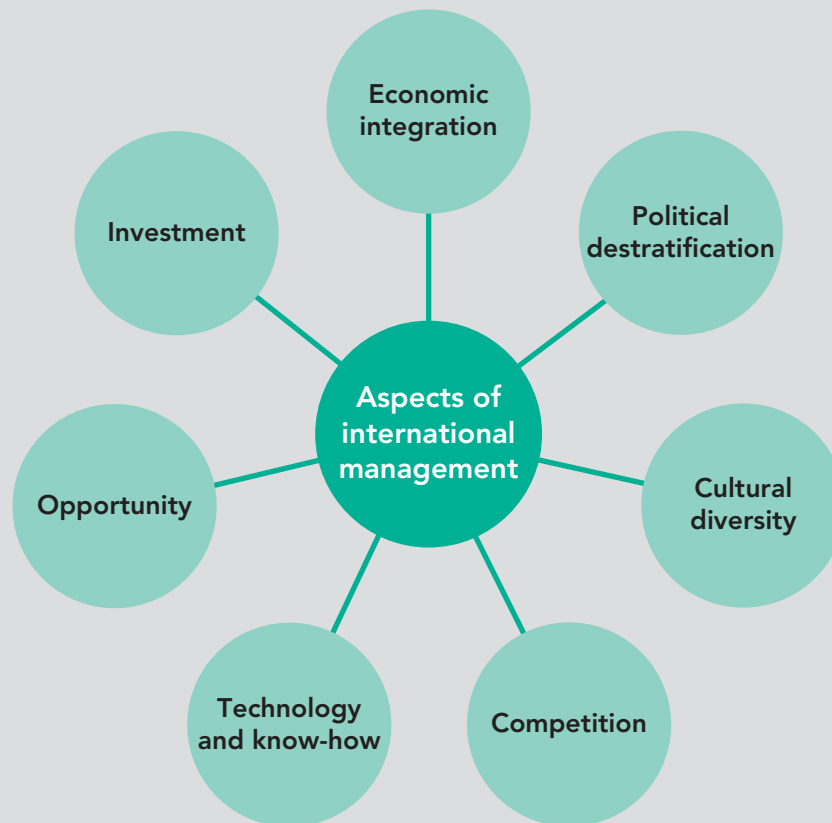


Figure 4: Aspects of international management



Developments in economic globalisation

Economic globalisation primarily focuses on the free movement of products and services, finance and capital for investment, and technology and information. Developments in this sphere are concentrated on the rapid growth in economic integration between national, regional and local economies.

Cross-border trade in commodities and services

World trade growth in 2016 was at the weakest level since 2010, with both advanced and emerging economies suffering from a slowdown in trade. This has been exacerbated by policy uncertainty, rising levels of trade protectionism and pressures to **onshore-reshore** jobs, alongside the growth in robotic technology which obviously has an impact on levels of cross-border trade. **Global value chains** (GVC) are stagnating, meaning that many sources of cross-border efficiencies are being reduced and diminishing returns are being achieved from global network activity. The WTO is urging the continued investment in liberalising trade to reinvigorate global growth and encourage inclusivity in global trade.

Flow of international capital

Technology has enabled the financial sector to become the most influential sector in economic globalisation. Financialisation and direct foreign investment has enabled multinational enterprises to expand, trade internationally and take part in investment activities such as mergers, acquisitions and expansions across the globe. The financial market and system is truly global, with cross-border

flows of capital, and foreign exchange at similar levels to the Gross Domestic Product (GDP) of some of the world's largest economies. Japan and Germany have daily currency trades growing to around \$5 trillion, which is actually a reduction of their peak of \$6 trillion a day in 2014.

Tariffs and other forms of protectionism

Although nervousness about globalisation was felt by many fringe protest groups, it was the 2008 credit crunch which caused those in power to question the benefits of globalisation and attempt to slow down the forward march of globalisation. Between 2007 and 2012 global capital flows fell from \$11 trillion to around \$4 trillion; the result was that many countries began to implement tariffs and develop mechanisms to protect their national economies from risk in an attempt to make the crisis in their financial systems less damaging, e.g. the introduction of banking regulations in the USA and Europe.



OVER TO YOU

Activity 6: Tariffs

Tariffs are put in place to protect domestic industries that are seen by the national government as vital. For example, Japan has a 778% tariff on imported rice. Examine the trade tariffs that your national government imposes and consider the reasons why they have chosen to impose tariffs on those goods and services.

Rapid spread of technology

The rapid advance of digital technology and scientific research since the end of the Second World War has made economic globalisation possible. The significant decrease in the costs of shipping and air freight has reduced the cost of international trade and investment, making global markets viable. Furthermore, the digital age has made it possible to quickly and cheaply organise global production and services for customers regardless of their geographic locations. National boundaries have all but disappeared in the networked economy and the virtual environment has provided the means by which real time data and information is at the fingertips of every manager.

CASE STUDY: TECHNOLOGICAL DEVELOPMENT IN TAIWAN

State-directed development

Prior to 1950, Taiwan's economy operated under high tariff walls, but from the 1960s the state government re-orientated the economy to become more export focused. The active role of the government meant that specific sectors and industries were selected to receive favourable terms in regard to tariff and non-tariff barriers, and foreign direct investment was used selectively to develop new industries.



Special industrial parks were developed close to universities and public research institutes to help stimulate the development of technology and to advance enterprises in the area of high technology. In addition, the government has actively sought to develop the electronics industry beyond simply assembling electronic products for foreign multinationals, instead developing Taiwanese capability to design and manufacture electronic chips and develop electronic brands across the world.

The government in Taiwan has also invested in technological infrastructure that supports technical information services and the research institutes, ensuring that linkages can be made between foreign organisations and domestic suppliers.

The result

Much of the low wage, labour-intensive assembly industry has been off-shored to the Chinese mainland. The technological development in Taiwan has led to increasing wages and a strong high-tech industry.

Convergence and divergence of national, regional and global trends in HRM

Convergence represents those policies, practices and HRM which can be considered **universalist** and which can transfer across borders, working equally well regardless of the country in which an organisation is operating. On the other hand, **divergence** occurs when the context demands that HRM systems adapt, identifying differences based upon the organisation's internal and external factors. Trends which are of particularly significant importance to the global HRM paradigm include the role of trade unions, employment laws, management styles and the societal expectation in regard to the individual psychological contract.

Trade unions and employment law

The trade union movement has had a considerable impact in terms of protecting employment rights. In Western democracies, trade unions have represented the views of employees since the eighteenth century, protecting them against exploitation by organisations. Working on an industry-wide basis, trade unions engaged in collective bargaining with organisations to improve employment rights. However, economic conditions and deindustrialisation have challenged the role of trade unions in industrial relations. Industrial relations have transitioned to putting an emphasis on individualism, and a move to knowledge working which lacks the same level of collectivism. Alongside this there has been an improvement in employment rights through more progressive employment legislation, which has led to a decline in trade union membership. In multinational enterprises there will be divergent practices in regard to wage bargaining and employment conditions, based upon the statutory and regulatory

environments in which the organisation is operating. Different human resource policies and strategies will be needed according to the national trade union recognition and the regulatory environment.

Management styles

Management styles will change according to the national culture. Although multinational corporations will pursue a “one company” culture, at a national level cultural sensitivities will need to be taken into account. HRM strategies which seek to develop employee empowerment and engagement will need to take into account the cultural expectations of employees and managers. Attitudes to leadership authority can have a significant impact on motivation and leadership styles will vary from country to country. For example, in Sweden organisations are democratic with little hierarchy and free discussion between employees and managers, whereas in France the management style is more autocratic with a top-down approach to decision-making. However, in multinational corporations the management style will very often be imported from the home country and this will need to be managed by HRM.



OVER TO YOU

Activity 7: Management styles

Research the national management styles for your own country. Choose a multinational enterprise from a different country that operates in your country and compare how the management styles might differ between the two countries.

Societal expectation and psychological contract

The nationality of an individual will impact an employee’s expectations regarding salary and benefits, beliefs about what constitutes good or bad working conditions, or the level of power that an individual feels they have to change company or career. For many employees across the world, a job – any job – is valued, regardless of how poor the working conditions are. In other countries where there is more security in regard to living conditions, there is an expectation that individuals will be valued in the workplace and find their work interesting. The expectation and psychological contract will also depend on the social class and background of the individual and therefore there may be convergence of HRM policies for particular job types and sought-after skills.

Globalisation and changes in national business systems

As globalisation has changed the relationship between employees as citizens and employees as **organisational actors**, there has been a change in national business systems. As capital has become increasingly mobile, and political and economic changes have enabled the free flow of foreign investment and trade, there have been significant shifts in country of origin and host country effects. Multinational enterprises have sought to exploit the flexibility in national business systems. This allows multinational enterprises to apply policies in their foreign business operations and negotiate to achieve favourable trading terms that national organisations are prevented from enjoying. They may also seek to work outside the norms of the national business systems, either officially or unofficially.

On the one hand organisations can choose to re-interpret national business systems that are more aligned to their strategic priorities, or they may go as far as failing to comply with national legislation. The level to which non-compliance occurs will depend on the host country effects and the determination of the national government to enforce the national legislation. Organisational practices that move beyond legitimate practice within the host country may be driven by legitimate practices in their home country. This may be positive in terms of applying business practices that exceed the statutory requirements of the national business system, or negative, for instance engaging in bad business practices because they are able to get away with it in host countries, e.g. environmental pollution and exploitative employment practices.

Globalisation has had a significant effect on national business systems because a number of closed business systems, such as China and Russia, have become more open to global trade in order to attract and take advantage of direct foreign investment. Multinational corporations also have considerable power to impact elements of national business systems, particularly in areas such as infrastructure investment and education and, more specifically, in the development of skills training.



OVER TO YOU

Activity 8: Training and education

Identify an instance where the arrival of multinational enterprise has had an impact on either infrastructure or education/training in your country. What details can you find regarding the investment (e.g. how much it was, was it from a foreign government or a direct investment from a foreign company, etc.)? What outcomes has the investment delivered, if any?

1.3 Management action in multinational corporations

The HRM function needs to transform in response to the complex challenges that modern global organisations face due to globalisation, global competition, closer interconnection and the need for integrated decision-making. Global HRM operates within a tangled global labour market with more mobile workers who need to respond to a more demanding customer. Technology and human resource information systems offer the opportunity for global HRM to use data analytics to provide management with relevant business insights, manage the workforce and inform strategy development to achieve competitive advantage.

The effect of globalisation upon management action and working in complex situations

Globalisation requires the development of a global mindset among employees so that the organisation can understand and respond to local consumer needs. Managers need to understand how to manage geographically dispersed employees and respond to competition by adapting how they manage both people and processes at home and abroad. Organisations must be structured to be able to flex and adapt to different international market conditions. Global HRM must support the organisation in managing the needs of people from diverse cultural backgrounds. Working within complex situations, management action is effected by globalisation in the following ways:

Communication – The ability to communicate instantaneously with people within the organisation, both internally and externally, requires managers to be responsive and to be able to gather information and make decisions quickly.

Speed – Technology and the dynamism of the global market place have shortened product life cycles, required organisations to respond faster and created an environment where context is changing constantly. Managers must be able to quickly adapt to changing circumstances and be able to develop and adopt new strategies in response to changing demands.

Planning – Forecasting for global expansion requires the manager to develop plans as to how the organisation will trade internationally, including decisions regarding exporting products and services, joint ventures, or operating as a multinational enterprise.

Monitoring – Managers must continually monitor the global environment to ensure the organisation is able to respond to shifting political situations, currency fluctuations, patent and trademark infringements and developments from competitors.

Organising – In an international setting, managers must organise for both the domestic and the host country and must respond to foreign stakeholders. This requires the manager to be culturally sensitive, aware of business environment differences, able to accommodate regulatory differences and able to manage multiple iterations of policies and procedures.

Directing – The line manager must understand the differences in management style expected by different cultures, whilst developing management systems to overcome language barriers to avoid communication difficulties. Training in cross-cultural management should be aimed at supporting managers to motivate, involve and manage the performance of foreign employees under their remit.

Staffing – Finding the right talent from the local labour force means that managers must be familiar with hiring and developing employees in compliance with national employment law. The manager must also make decisions about transferring home-based personnel, including the selection and preparation of **expatriates** for international assignments.

Controlling – The distribution of business activity across geography, time zones, language, culture and legal systems makes management control complicated. Whether it is arranging meetings, writing reports or the development of control systems, multinational corporations are especially challenging.



Figure 5: Effect of globalisation on management action



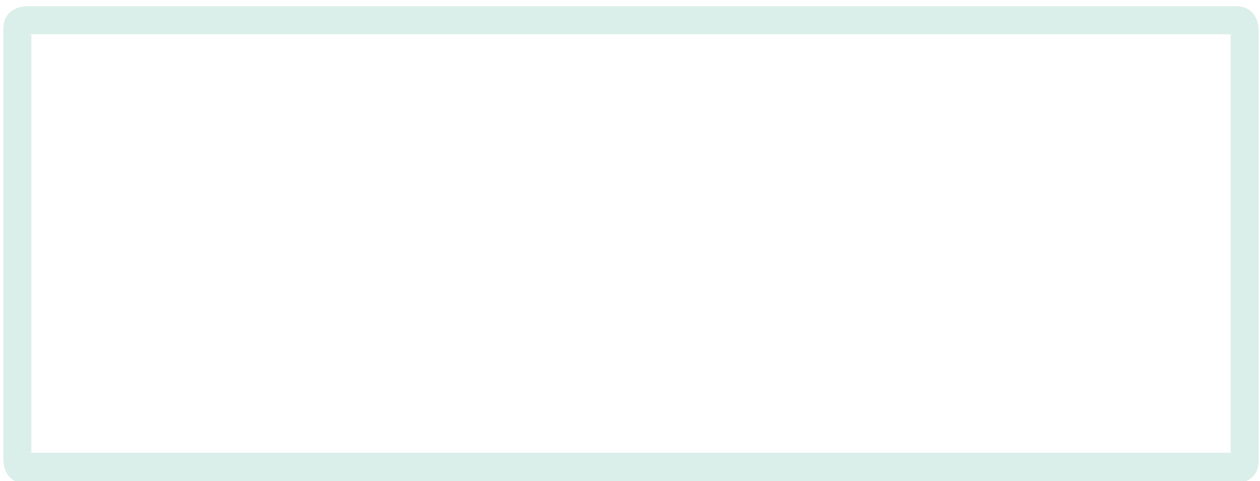
OVER TO YOU

Activity 9: Management action

Globalisation requires employees to develop a global mindset.

What three personal development actions could you add to your personal development plan to help you adopt a global mindset?

For example: spend time getting to know a foreign colleague to help overcome any prejudices or cultural misunderstandings.



Practices of managers within MNCs

The practices of managers in a multinational corporation (MNC) include the people management of employees in the company headquarters, home country nationals (HCN), third country nationals (TCN) and expatriates.

International firms can adopt four different management practices, as shown in Table 2.

Ethnocentric	Fundamental decisions are made in headquarters with little autonomy allowed in foreign subsidiaries. Expatriates are likely to perform as managers in subsidiaries.
Polycentric	Managed by HCNs, subsidiaries are treated as independent entities and enjoy considerable autonomy, although this may lead to isolation from headquarters.
Geocentric	The organisation is run as a global organisation, with integration and interdependency between headquarters and foreign subsidiaries run by a worldwide talent pool of international managers.
Regiocentric	There is interconnection between subsidiaries, regulated by a regional centre. Regions may operate with either a polycentric or geocentric orientation.

Table 2: Different management practices



CASE STUDY: TATA MOTORS

An internationalisation strategy

Tata Motors, a division of the US\$100 billion Tata group, is India’s largest automobile company and a global automobile manufacturer of cars, utility vehicles, buses, trucks and defence vehicles. It operates in the UK, South Korea, Thailand, South Africa and Indonesia.



Geocentric

Tata Motors sought to improve its service network and channel reach to maintain and replicate its growth success in new markets. The countries in which it decided to operate have market conditions similar to India. Through acquisition and joint ventures, Tata Motors has entered and now operates in a strong global network of 76 subsidiary and associate companies, including:

- UK – Jaguar Land Rover
- South Korea – Tata Daewoo
- India – Tata Motors including an industrial joint venture with Fiat.

Tata Motors carries out self-sustained operations in each country with dedicated manufacturing facilities, marketing and sales teams. Tata Motors products and services are marketed in Europe, Africa, the Middle East, South Asia, South America, Australia, the Commonwealth of Independent States (CIS) and Russia.

Ethnocentric

Part of the internationalisation strategy was to improve its product reliability and leverage synergies. As such, research and design centres are located in India, the UK, Italy and Korea, and Tata Motors is seeking to improve its brand reputation and technology appropriation to bring out world class automobiles.

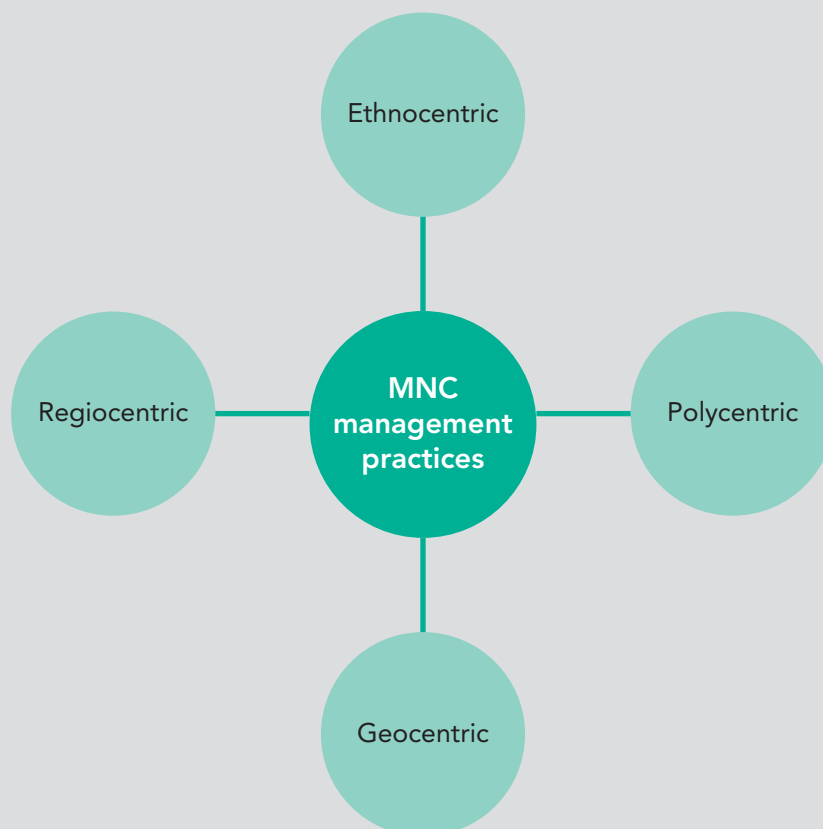


Figure 6: MNC management practices



Regardless of the position adopted, human resource management practices carried out in subsidiaries for home country nationals (such as recruitment and selection, learning and development, reward and employee relations) will be similar to those carried out in the company headquarters. However, divergence between human resource management practices in subsidiaries will occur because of differences in employment law and local employment relations practice, and this will be influenced by national custom and culture. Local context will therefore impact the practices of managers within multinational corporations.



OVER TO YOU

Activity 10: Management practices

Identify a multinational corporation with which you are familiar. What countries do they operate in across the globe?

If possible, identify whether the organisation has adopted an ethnocentric, polycentric, geocentric or regiocentric approach.

Identify at least one cause of divergence between human resource practice in the company headquarters and that in the subsidiaries.

For example: UK employment law versus Chinese employment law regarding statutory rest breaks in the working day.

Managerial skills in operating within international, regional and local environments

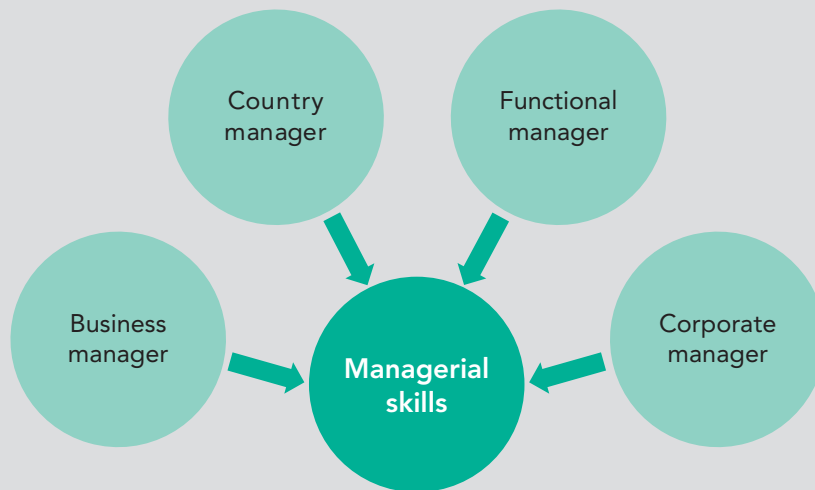
Bartlett and Ghoshal (2003)⁵ highlighted four types of managers with different skills and perspectives that balance the local, regional and global operational demands required for success within multinational corporations. These are shown in Table 3.

⁵ Bartlett, C. and Ghoshal, S. (2003), "What Is a Global Manager?" *Harvard Business Review*, August 2003 Issue

Manager Type	Specialism	Skills
Business manager	Strategist, architect and co-ordinator	<ul style="list-style-type: none"> • Ability to recognise cross-border opportunities and risk • Co-ordinating and efficiently distributing activities and human resource capability • Asset management • Integrating and co-ordinating worldwide operations • Developing formal policies • Indirectly managing via informal communication • Administrative and interpersonal skills
Country manager	Sensor, builder and contributor	<ul style="list-style-type: none"> • Ability to interpret local opportunities and threats • Building local resources and capabilities • Contributing to global strategy • Sensitivity and responsiveness to local market • Meeting customer needs • Managing host government requirements • Entrepreneurship and innovation • Effective communication • Developing and managing local talent • Negotiation skills
Functional manager	Scanner, cross-pollinator and champion	<ul style="list-style-type: none"> • Providing and connecting expert information and knowledge • Scanning for and detecting emerging trends • Cross-pollinating leading edge knowledge and best practice • Connecting scarce resources and capabilities across borders. • Promoting and championing worldwide learning and innovation • Resolving conflict between headquarters and subsidiaries • Networking skills • Communication skills
Corporate manager	Leader, talent scout and developer	<ul style="list-style-type: none"> • Diverse global management skills • Leadership • Identifying and developing talented managers across the globe • Flexibility and commitment to cross-border co-ordination and integration

Table 3: Bartlett and Ghoshal's types of managers





Source: Adapted from Bartlett and Ghoshal (2003)

Figure 7: Managerial skills



Ethical issues that surround international HRM

International human resource management and globalisation have given rise to new ethical issues that must be navigated in complex multinational corporations. Specific issues occur when managing the diversity of language, culture and business management. International HRM practitioners are required to navigate challenges to align the operations with acceptable business practice in each country in which the multinational corporation operates.

Lack of cultural awareness

The complexity of managing across different national cultures means that international HRM practitioners must prepare multinational managers to handle misunderstandings that arise as a result of a lack of cultural awareness. Developing support structures and training to ensure that employees are aware of appropriate customs and conduct will ensure that different cultures are respected and navigated; by helping organisational leaders to plan for cultural differences, the HRM practitioner can avoid conflict and a breakdown of trust between different stakeholder groups.

Bribery

Different countries have a number of rules or laws pertaining to bribery. However, multinational corporation managers are often faced with ethical dilemmas relating to a range of situations surrounding foreign payments that international business will routinely encounter. Employees very often face corruption and demands for facilitation payments and HRM must prepare employees to legally interact with authorities and individuals in other countries, whilst remaining safe and secure.

Privacy

Different countries across the globe treat the right to privacy differently. For example, privacy laws in the EU are much stricter than in the USA. Therefore, international HRM must ensure that more restrictive policies are adhered to in order to protect both the multinational corporation and the employee abroad.

Compensation

Reward management across borders is fraught with ethical issues. Salary levels in developed and developing countries are often significantly different. International HRM must decide whether it is appropriate for individuals who are working together, using the same skills and doing the same job, to earn different levels of compensation or whether the wage gap should be narrowed.



OVER TO YOU

Activity 11: How do you remain ethical?

You are a senior manager in a subsidiary of a multinational corporation and you have recently been given responsibility for energy procurement. An employee from a large energy company has offered you a cash incentive to promote their renewable energy products internally within the subsidiary of the company that you work for. New technologies are often tested in subsidiaries and, if successful, are adopted as company policy across the globe.

How do you remain ethical?

READING LIST

- The Telegraph (2015), *Why you should think global, act local* [online]. Retrieved from: www.telegraph.co.uk/sponsored/education/festival-of-the-imagination/11844122/think-global.html [Accessed on: 17 October 2017]
- Paliwoda, S. J. and Slater, S. (2009), "Globalisation through the kaleidoscope", *International Marketing Review*, Vol. 26, Issue 4/5, pp. 373–383. (This article will be available in your online student resources.)
- Spich, R. S. (1995), "Globalization folklore problems of myth and ideology in the discourse on globalization", *Journal of Organizational Change Management*, Vol. 8, Issue 4, pp. 6–29. (This article will be available in your online student resources.)

Summary

From the perspective of contemporary development in global HRM, globalisation refers to the development of international trade co-operation through the free movement of goods, services, capital and people between countries. Globalisation can be viewed from the perspective of expanding the trade of goods and services between different countries. It can also mean the development of production and support services, outsourcing and offshoring where specific elements of an organisation are distributed globally in locations where it is most economically advantageous to the organisation. Convergence represents those policies, practices and HRM which can be considered universalist transferred across borders and which work equally well regardless of the country in which an organisation is operating. On the other hand, divergence occurs when the context demands that HRM systems adapt, identifying differences based upon the organisational internal and external factors.

Globalisation requires the development of a global mindset among employees so that the organisation can understand and respond to local consumer needs. Managers need to understand how to manage geographically dispersed employees and respond to competition by adapting how they manage both people and processes at home and abroad. Organisations must be structured with the ability to flex and adapt to different international market conditions. Global HRM must support the organisation in managing the needs of people from diverse cultural backgrounds.

Chapter 2

International Strategy and Organisational Structure

Introduction

This chapter will evaluate trends in demography, social and technological changes and the way in which these shape and influence HR strategies and practices in rising to challenges and opportunities. This provides an opportunity to consider the future trends of globalisation and their impact upon the world of work and the HR function.

Learning outcome

On completing the chapter, you will be able to:

- 2 Critically evaluate international strategy and organisational structure in international companies**

Assessment criteria

- 2 Critically evaluate international strategy and organisational structure in international companies**
 - 2.1 Evaluate the nature of the transnational strategy and structure and the challenges of putting it into practice
 - 2.2 Evaluate the political dimension to cross-border mergers and acquisitions

Level 6 Contemporary Developments in Global HRM

Background

For an organisation to achieve its goals, it must have an appropriate structure to ensure that resources are aligned and that decision-making can be made at the appropriate level of the organisation to be most effective. Any organisation must have an appropriate structure that will help achieve its goals. Regardless of size, organisations will face operational challenges both in their national markets and internationally. Developing a strategy which takes into account all of the necessary differentiation required in the countries in which the organisation operates, whilst developing cohesion and co-ordination across the whole organisation, is a formidable task.

There are number of different ways that an organisation can structure itself to response to different national markets whilst maintaining a balance across its global operations. Whether an organisation chooses to approach the structure in a centralised or decentralised way, through the utilisation of functional units or geography, will depend on the strategy of the organisation and its operational needs. How fast the international business is growing, and options to develop the home market may dictate different solutions to structural and political challenges. What is clear is that the development of overseas subsidiaries and cross-border mergers and acquisitions means that the international human resource management professional must remain dynamic and agile if they are going to respond to the changing needs of the organisation.

OVER TO YOU

Activity 1: Transnational strategy

Review the strategy of a transnational organisation with which you are familiar. What challenges does the strategy refer to directly or imply that the organisation is facing? In what ways does the strategy change as a result of organisational operations in different countries or regions? Why?

For example: a transnational energy company had an aggressive growth strategy with the business setting a business objective to double the size of the business in five years (2 × 5) but in mature markets such as the UK and USA, the growth was limited to 10% with much of the growth coming from emerging markets.



2.1 The nature of the transnational strategy and structure

Multinational corporations must decide how best to structure their business in order to deliver the transnational strategy of the business. An organisation will generally design its structure based upon several dimensions:

- **Functional** – corporate functions form the basis of the structure, e.g. production, HR, customer service, sales.
- **Product** – The adoption of a structure designed around the organisation’s product categories or market segments, e.g. a soft drinks manufacturer might structure itself around retail products, still drinks or adult soft drinks.
- **Geographic** – The organisation structure is based on geography, by country, continent or region, with a home office or headquarters, e.g. Europe, Middle East and Asia (EMEA).
- **Matrix** – Organisational design is a combination of functionally organised structure with flexible local operations, e.g. Aggreko Continental Europe Human Resources.
- **International** – Foreign markets are managed using an international division, which runs independently of the head office, although this tends to be an option used by large multinational organisations who also wish to focus on aggressively growing their home market.

Regardless of the organisational structure adopted, the purpose is to help the organisation to co-ordinate across all related business activities simultaneously in order to deliver the organisation’s strategy. There are no fixed rules as to how an organisation will structure itself, and if it meets the needs of a transnational strategy an organisation will adopt a hybrid structure that combines two or more dimensions. This may be especially true if the organisation is operating in an emerging market and will operate on a geographic basis until the organisation in that country has grown to a sufficient size to justify a functional structure. If an organisation has a product which is specific to a particular geographic market, then a unique product structure may be added as an organisational division into the organisation’s functional structure to take this into account.

The biggest challenge to putting a transnational structure into place is ensuring that the operations of the business are able to respond with enough agility to changes in country-specific business needs. If the structure is too rigid it may cause problems for a specific division that needs to respond to market demands appropriately. At the same time, too much variation will remove the cost efficiencies afforded to large organisations, and the benefits of economies of scale available to transnational operations will be lost if every aspect of the organisation has to be bespoke.

The other major issue that transnational organisations must tackle when defining structure is the type of management employed across borders to achieve an integrated strategic approach. Geographic structural forms are heavily reliant on how country or regional managers perform as they are responsible for overseeing product and functions performed in a country, and will be the focal point for stakeholders in that country, including employees, government, suppliers and customers. A bad country manager can not only cause the organisation to fail in a potential international market, but can cause global damage to the corporate brand. Alternatively, a functional structure will rely on a range of business managers responsible for each function such as IT, marketing and sales, and production. To be successful, the organisation must be able to develop a business manager who can balance the demands of country-specific problems and solutions, respond with cultural sensitivity to the people they lead and manage competing demands, whilst also ensuring that their function is run effectively and efficiently.



OVER TO YOU

Activity 2: Identifying organisational structure

Identify a transnational company with which you are familiar.

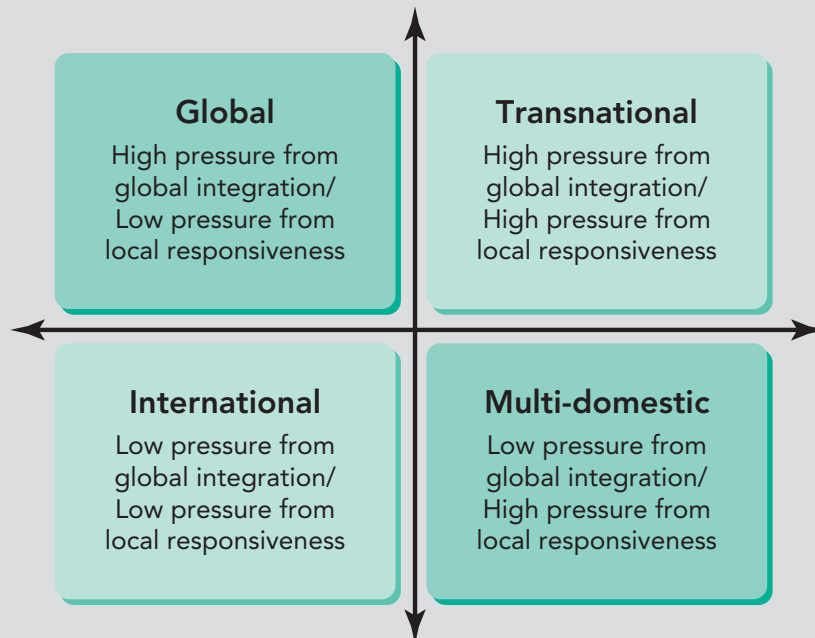
Review its organisational structure chart.

Identify whether the organisation is using a functional, product, geographic, matrix or international division structure.

What evidence can you find that there is a hybrid structure in any of its operations?

The forces on managers in international firms: Bartlett and Ghoshal (1998)

Bartlett and Ghoshal 1998⁶ developed a model to indicate the strategic options available to transnational organisations, highlighting two forces, local responsiveness and global integration, which put pressure on managers operating in international firms.



Source: Adapted from Bartlett and Ghoshal (1998)

Figure 1: Bartlett and Ghoshal Matrix



Local responsiveness forces

Local responsiveness forces on managers refer to local customer expectations that need to be met and which may need to be adapted to a specific country versus customer expectations in the home country; for example, specific product flavours such as salt and vinegar crisps for the UK market.

Competitor forces may also differ based on competitive advantage in different countries. A particular competitor brand may have the dominant market position in local markets versus the organisation enjoying home country brand dominance. For example, Big Bazaar is in the top ten retail chains in India, but has no presence globally.

Global integration forces

One of the primary benefits of a large transnational business is its ability to operate efficiently by adopting practices which leverage economies of scale. The ability to standardise operations enriches the organisation and affords it competitive advantage over its rivals; for example, McDonalds. However, standardisation may be less important where products are local market-specific or where the business operating model is based upon high value products; for example, the luxury car market in the United Arab Emirates.

⁶ Bartlett, C. and Ghoshal, S. (1998), *Managing Across Borders: The Transnational Solution*. Harvard Business School Press

 OVER TO YOU
Activity 3: Forces on managers

Consider an international organisation with which you are familiar.
What forces do managers face within the organisation based upon the Bartlett and Ghoshal Matrix?

 CASE STUDY: UNILEVER
The foremost transnational company

Unilever has been described as one of the foremost transnational companies, thinking globally but acting locally. Its products are tailored to appeal to local markets, whilst it achieves economies of scale in a number of head office functions.

It uses a management matrix structure, working with regional, product, functional and labour relations partners to constantly review activity in order to achieve the right balance of centralisation or decentralisation. Emphasis is placed on integrating the Unilever vision and strategy to ensure that there is common understanding of what the organisation is trying to achieve in each of the 75 countries and 500 companies that form part of the Unilever group.

There is an emphasis on ensuring managers are well-trained and relationships among Unilever's head offices, regional groups, and national operating companies are monitored to ensure that the organisation is flexible enough to respond to the demands of the market.



Forms that an organisation can take to achieve its international strategy

There are a number of forms that an organisation can take in order to achieve its international strategy, including those show in in Table 1.

Multinational	Characterised by extensive customisation of products and services, these organisations invest in other countries and place a premium on being responsive to local market needs by decentralising decision-making; e.g. Heinz offers a version of tomato ketchup without garlic and onion in India.
Global	Usually operating with a single headquarters, the organisation will invest and have a physical presence in a country but offers standardised products and uses a co-ordinated brand or image in all markets. Responsiveness will be sacrificed for a global strategy and highly centralised decision-making is focused on cost management, economies of scale and efficiency; e.g. Proctor and Gamble’s global brand portfolio.
International	Characterised by importing and exporting goods and services which have relatively little adaption to local market needs. There is no investment or infrastructure outside the home country as the focus is on developing operational efficiency in the home market; e.g. the international courier UPS.
Transnational	A central corporate facility is coupled with investment and delegated decision-making and marketing in foreign operations with an aim of achieving local responsiveness while benefiting from global integration. The result is a hybrid between a multi-domestic strategy and a global strategy; e.g. Kentucky Fried Chicken (KFC) has a core menu around the world supplemented with local menu items.

Table 1: Forms than an organisation can take to achieve its international strategy.



 OVER TO YOU

Activity 4: Advantages and disadvantages of international strategies

Critically review each of the international strategies.
 What are the advantages of each strategy?
 What are the disadvantages of each strategy?

Strategy	Advantages	Disadvantages
<i>Multinational</i>		
<i>Global</i>		
<i>International</i>		
<i>Transnational</i>		

2.2 The political dimension to cross-border mergers and acquisitions

Politics, which can be defined as activities of a body, group or institution to increase power in a particular situation, are present both internally and externally for any organisation. Whatever the purpose of the political activity, there will be an impact on the decisions made within an organisation. These may manifest as authority and power battles between managers or employers, strategic responses to environmental pressures, or more consequential issues with regulatory and compliance decisions being made for political reasons by government agencies. The differentiated nature of a transnational organisation means that the influence and power relations of multiple stakeholders are further diversified, and the complexities of managing competing perspectives can lead to political behaviour, resistance and dysfunction, which can all severely restrict the operations of an organisation.

The importance of organisational politics in multinational corporations (MNCs)

Stakeholders at a meso-level can influence organisational politics in the MNC (that is, within the organisation itself) with political players residing in headquarters and in subsidiaries, and external institutions involved in employment relations. Political systems within the organisation will also include power and politics between individual actors at the micro-level, where strategic decisions, resistance, negotiations and political game-playing between managers and employees is legitimised at a subsidiary level.

The successful operation of multinational corporations relies upon subsidiaries believing there is appropriate resource allocation and decentralisation of decision-making mandates. Managers will have a political interest in improving the power position of their subsidiary to enhance their mandate and protect their self-interest. A high level of dependency on headquarters and policies or practices which subsidiary managers perceive can shift power towards the centre will lead to political game-playing to maintain or gain power, especially in respect to acquisition of resources critical to the subsidiary operation.

The decentralisation of decision-making to subsidiaries in multinational companies means that politicalisation at a local level can be significantly damaging and can lead to institutional failure. This is especially potent during a merger or acquisition. If the MNC is a dominant partner in the merger, then organisational culture differences, or resentment of losing independence, could lead to resistive behaviours from employees and managers, especially if promises of autonomy do not feel genuine or do not meet expectations. The development of political game-playing can be even more prominent during an acquisition and the development of trust is essential if organisational politics is not to lead to damaging behaviours.

Challenges to mergers and acquisitions

Combining two organisations will involve making difficult decisions about organisational structure, reporting lines, governance around authority levels and decision-making, and agreement regarding objectives for the new organisational reality.

Due diligence

The most pressing consequence of a multinational company merging with another organisation or acquiring a business is loss. This may be loss which is obvious such as business risk or financial, reputational and shareholder confidence. Other loss which can occur as a result of lack of **due**

diligence is less obvious, like the significant loss of talent directly after a deal is announced. This was illustrated when UK commercial broadcaster Channel 4 agreed a £25 million, three-year deal for the rights of hit baking show The Great British Bake Off but failed to agree contracts for the stars of the show, with three of the four star presenters refusing offers to move broadcasters with the show.

Due diligence involves the multinational organisation taking time to understand the internal and external dynamics of the target organisation and examining hard data relating to the financial, strategic and competitive health of the organisation. A review will also need to be conducted regarding decision-making processes at both a strategic and an operational level and addressing governance processes to ensure that checks and balances are in place for key decision-makers. Also, legal questions relating to the organisation entity will need to be examined and a review will be needed to see whether the organisation has been operating in line with statutory requirements, such as tax, employment law and industry regulations.

From a human resource management perspective, research will need to be conducted into organisational charts, head count, job roles, human resource practices, capability and key HRM statistics such as retention and absence management, in order to understand how well the human resources are managed within the organisation. Developing an understanding of what employees think and believe about any deal will help develop strategies to maintain employee engagement post-merger or acquisition. People will be a key linchpin in the success of any merger or acquisition and efforts must be made to retain key employees and support them so they can accept new structures and processes.

Through the process of due diligence the multinational organisation should have a good understanding of the target organisation's assets, liabilities, capability gaps and cultural fit with the multinational company's strategic objectives. If the due diligence process is conducted correctly then the multinational company can take steps to avoid decision-making that will lead to political in-fighting, confusion and problems with integrating the company into the group which could lead to employee integration problems and ultimately productivity and sales revenues falling.



OVER TO YOU

Activity 5: Due diligence

How would you define due diligence? List ten questions that an HRM practitioner should ask during a due diligence process.

Human capital audits

Effective management practice and acknowledging the importance of people are essential if an organisation is to remain competitive. **Human capital** refers to the skills that are acquired by employees through training and development opportunities. A human capital audit is a systematic review of the human resource management function, which evaluates whether HR policies and practices are compliant with employment laws and are adding value to the human capital within the organisation as a resource which can be utilised to achieve the organisation's strategic objectives. During a merger or acquisition the people who are in the target organisation represent an asset that will be added to the multinational organisation, and therefore the audit can be viewed in the same way as any other resource audit.

Areas covered by a human capital audit include: employee relations, recruitment and selection, reward, performance management, learning and development, disciplinary and grievance and termination. It also includes an assessment of cultural, behavioural and attitudinal risks within the employee population such as honesty, engagement and the management of conflict. A human capital audit can help uncover performance issues and ensure that the multinational organisation does not acquire historic issues that are people or compliance related, or expose the organisation to legal action or compensation claims which will affect the performance of the subsidiary.

CASE STUDY: SOCIAL HOUSING HUMAN CAPITAL AUDIT

A failure to identify cultural risks

A proposed merger between three social housing organisations sought to create the biggest social housing and social care group in Europe. Through the due diligence process one of the social housing organisations identified that there were significant human capital risks associated with the merger and withdrew from the proposal. One of the two remaining companies was an organisation which was aggressively commercial and the biggest partner both in terms of financial and human capital and assets. The smaller partner was adding a successful social care division but had little in the way of social housing assets.



However, during the process of due diligence it became increasingly apparent there were huge cultural, behavioural and attitudinal differences between the two organisations, such as:

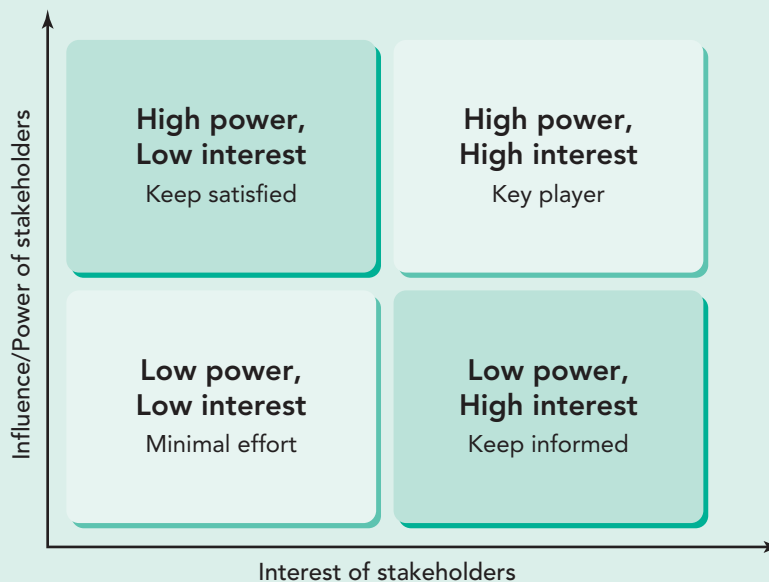
- commerciality versus socially consciousness;
- inefficient operations bolstered by large profit versus small budgets demanding lean processes;
- big company knows best versus small company willing to learn;
- aggressive command and control culture versus empowered open culture;
- all white, male senior management team versus diversity in senior management.

The result of ignoring these differences was that when the merger went through there was significant unrest and conflict, with resistive behaviours from the smaller partner. A number of female senior managers filed grievances based upon sexual discrimination during the restructuring and redeployment process. The dominance of the larger partner led to a disengagement from joint projects on process changes. One particular outcome was that during the transition to a merged financial system, the smaller organisation could no longer process any financial transactions, a limitation which paralysed the business.

Stakeholder analysis and their political influences within different scenarios

A stakeholder analysis identifies those who have a stake in the organisation and evaluates the interest and influence that they have in regard to the organisation, particular policies and areas of concern. Depending on the power and influence of the stakeholder, the stakeholder is able to wield considerable political influence in the operation of an organisation. When multinational corporations are faced with opportunities for mergers or acquisitions, stakeholders will consider the options and may demand particular reforms if cross-border decisions are to meet with their approval. Whether it is governments examining the legality of mergers and acquisitions in regard to monopolies, shareholders approving investment decisions, or employee interest groups such as trade unions giving support to a proposal, the organisation will need to seek to accommodate the needs of each stakeholder group by adopting policies which are politically acceptable and sustainable in the long-term.

! NEED TO KNOW



Source: Adapted from Johnson and Scholes (1999)

Figure 2: Johnson and Scholes stakeholder analysis.



Stakeholders and cost cutting

Of obvious concern to all stakeholders is that the cost of the merger or acquisition will give an appropriate return in terms of value added and that in the medium- to long-term the multinational organisation will benefit even if the short-term will be challenging. Controlling costs of any merger and acquisition is a key stakeholder interest, especially among investors who want to ensure any changes to the organisational structure will be sustainable and will deliver quick wins and long-term value. Any proposed cost reduction, such as efficiencies delivered through head count reduction, infrastructure changes or process improvements needs to be sustainable.

Investors – Cost control is important and financial performance will impact investors who can increase or decrease their shareholding in the organisation based on performance against business plans. If investors are not happy about the direction an organisation is going, they can use their political influence to directly influence the management of an organisation.

Employee groups – Cost cutting will have a significant impact on employees within the organisation. Head count reduction, plant or office closure, offshoring or outsourcing will significantly impact the job security of employees. Where trade unions are influential in organisations, industrial relations will be impacted if cost cutting is seen as unnecessary or executed poorly. Trust between management and employee groups must be maintained to ensure levels of productivity and employee engagement are not significantly damaged.

Government – National, regional and local government will all have an interest in cost cutting by a large employer. In regard to mergers and acquisitions, these may be disallowed by national government if there is a fear that employment of nationals will be badly affected. Guarantees of protection for particular sites which are important to local employment will be sought before a merger or acquisition can be approved.

Stakeholders and appointment of senior teams

The board of directors in an organisation will be made up of a number of high level executives but may also include a range of advisors, known as non-executive directors (NED), and larger investors. This group wield particular influence on decision-making power, and board room “battles” very often result in the removal of senior managers, including the CEO. Factions can develop and the environment can become highly politicised if senior managers are not in agreement with investors. This group also has power over governance of the organisation and will dictate the future direction of the company; for example, Uber CEO Travis Kalanick was forced to resign his position by key shareholders who were unhappy with his chaotic management of the company.

Stakeholders and restructuring

Stakeholder involvement in restructuring can be justified because of the social and economic benefits which are available if successful. Different stakeholders play important roles in a restructuring effort. Employee groups can offer a support service and help manage the disruption caused by a restructure on behalf of the organisation. Investors can support restructuring efforts, which will reassure the market and help maintain share prices even during difficult transition periods. Governments and local authorities can also provide support to employees who are substantially affected by the changes.

In today’s business environment restructuring is an expected part of organisational life, but support from key stakeholders will help restructuring efforts run smoothly.



OVER TO YOU

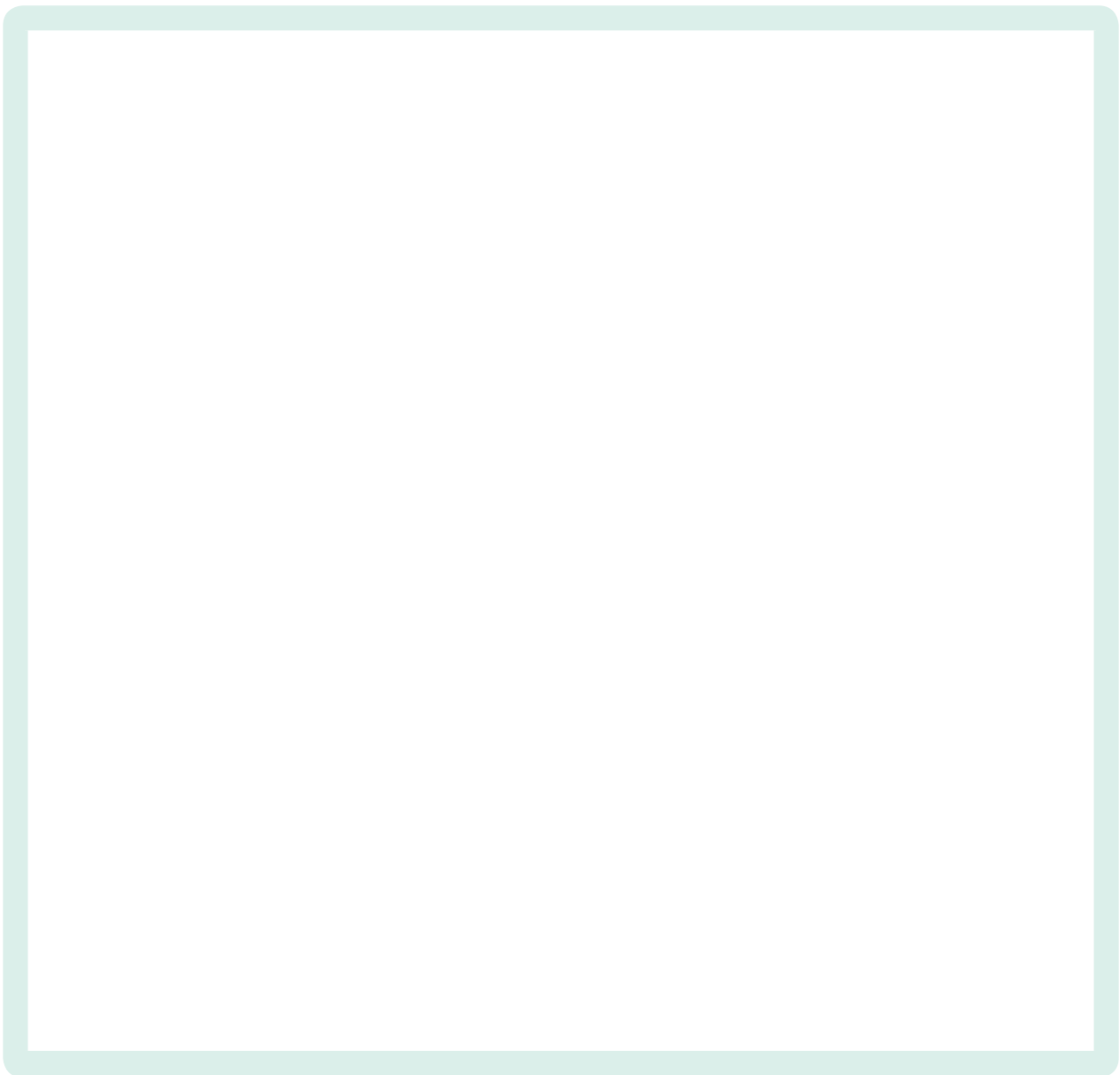
Activity 6: Stakeholders on the move

Research a recent merger or acquisition that you are aware of in your country.

What stakeholders did your research identify?

What impact did each stakeholder group have in regard to decisions made by the organisation?

What do these findings tell you about the power and interest of the stakeholder? (See Figure 2.)



READING LIST

- Isaac, M. (2017), "Uber Founder Travis Kalanick Resigns as C.E.O.", *New York Times*. June 21 2017 Issue
- (2004), "Internal auditing and human resource management: Going strategic boosts competitive advantage", *Human Resource Management International Digest*, Vol. 12, Issue 3, pp. 20–22. (This article will be available in your online student resources.)

Summary

Any organisation must have an appropriate structure that will help achieve its goals. Regardless of size, organisations will face operational challenges both in their national markets and internationally. Multinational companies must decide how best to structure their business in order to deliver the

transnational strategy of the business. Organisations will generally design their structure based upon several dimensions: functional, product, geographic, matrix or international.

The Bartlett and Ghoshal (1998) matrix indicates the strategic options available to transnational organisations, highlighting two forces – local responsiveness and global integration – that put pressure on managers.

The decentralisation of decision-making to subsidiaries in multinational companies means that politicalisation at a local level can be significantly damaging and can lead to institutional failure. This is especially potent during a merger or acquisition.

Using a stakeholder analysis allows an organisation to easily identify those who have a vested interest in the organisation. Furthermore, stakeholder analysis evaluates the interest and influence those stakeholders have in regard to the organisation, particular policies and areas of concern.

Chapter 3

Challenges Involved in Managing an International HR Function

Introduction

In this chapter, you will utilise your understanding of HRM in an international context to explore the challenges involved in cross-border management of an international HR function, including the consideration for staff working across international boundaries.

Learning outcome

On completing the chapter, you will be able to:

- 3 Critically appraise the challenges involved in managing of an international HR function and transnational workers**

Assessment criteria

- 3 Critically appraise the challenges involved in managing an international HR function and transnational workers**
 - 3.1 Critically examine the features of a host environment that require practices to be tailored to fit local conditions
 - 3.2 Appraise the possible ways in which practices may operate within and across a multinational corporation (MNC)
 - 3.3 Analyse the benefits and challenges facing a transnational worker

Level 6 Contemporary Developments in Global HRM

Background

The international human resource management (IHRM) function contributes added value to the organisation by developing international coherence across borders and balancing the competing demands of managing people in all countries in which a multinational corporation operates. The process of globalisation is multi-faceted and if a multinational corporation is to ensure that its operations are cost effective it needs to find a responsive approach to managing its people across its operations. The IHRM function therefore manages HR activities such as recruitment and selection, learning and development, reward and employee relations in an international setting, and supports the management of people to achieve competitive advantage across the globe.

What sets international HRM apart from the practice of HRM in the domestic business is the movement of talent across the globe, and the management of the transnational workforce. The function will focus on activities relating to the relocation of staff to offices outside of their home country. This will include support services such as orientation, translation services and cultural sensitivity training. The IHRM function will be working with newly hired employees to help them adapt to the culture of the multinational corporation, and to ensure that individuals working for a company which has its headquarters outside their country are able to work unhindered by geographic and time differences.

Perhaps most importantly, the IHRM function must remain up-to-date on the international business environment, fully aware of the possible risks to those employed by the organisation and to the organisation's business operations themselves. This includes developing plans to respond to political, economic and social upheaval as well as responding appropriately to statutory and employment law changes in countries in which the organisation operates.

Finally, the IHRM function is responsible for ensuring that employees are treated with dignity and respect, regardless of which country they work in. This means ensuring that managers and other employees are aware of cultural differences which may create friction if misunderstood.

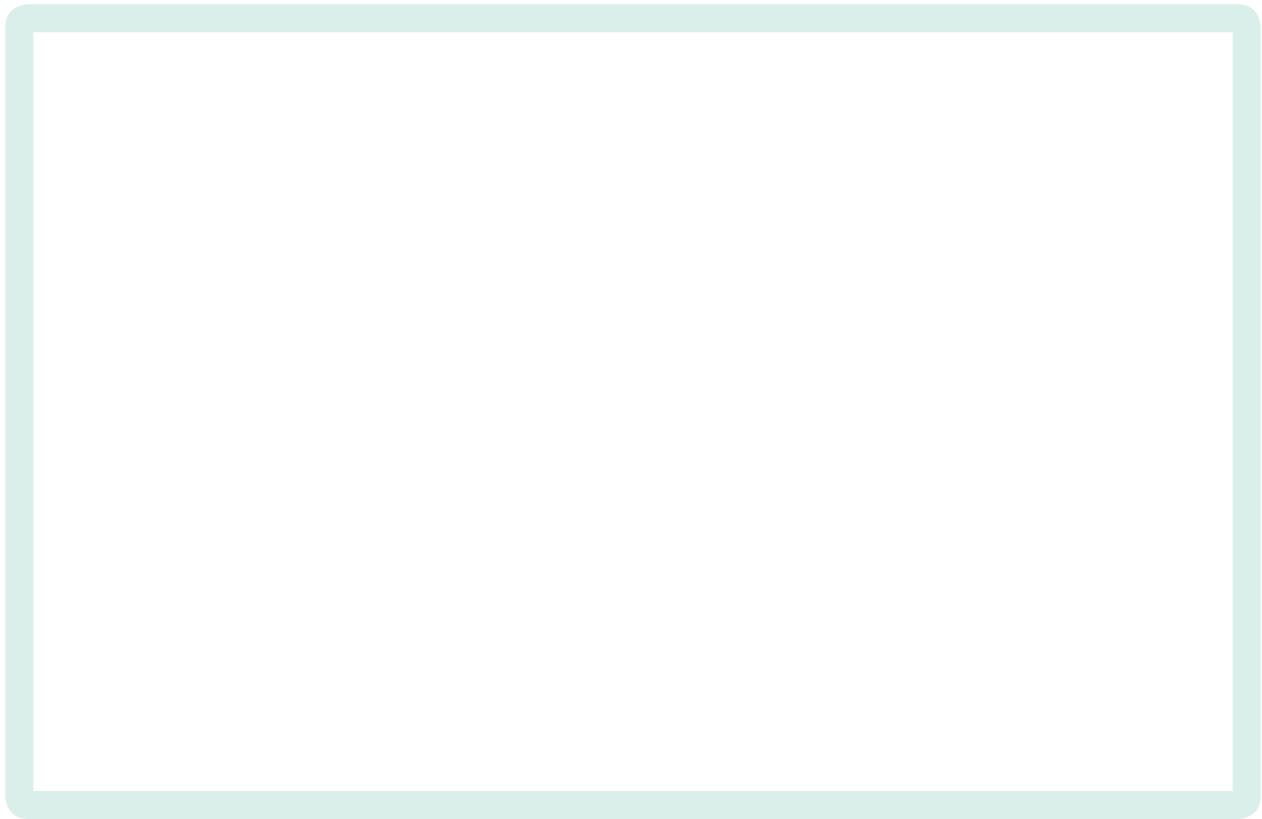


OVER TO YOU

Activity 1: Political upheaval in the home country

Presidential action regarding immigration in 2017 in the USA has severely affected movement of employees for US tech companies.

Research the presidential action and detail below the human resource management issues that the immigration ban has caused.



3.1 Tailoring practices to fit local conditions

Providing HRM solutions to satisfy all parties across a business with a global footprint is far more complicated than managing people and processes in one country. Diversity in the workforce does benefit the organisation in many ways, by bringing in different perspectives, innovation, creativity and ideation. However, different perspectives also create problems because activities can be misinterpreted and misunderstood. The flipside of diversity is that practices need to be both tailored and diverse in order to ensure that they fit the needs of local conditions in the host environment.

Legal, institutional and cultural influences

Local custom and practice is an important concept in human resource management. Although terms and conditions of employment are usually set down in the terms and conditions of an employee's written contract, there may be a set of implied terms and conditions which exist regarding conduct and behaviour of both the employer and employee. These might be established norms of employment practice in a company which has been acquired or merged with the multinational corporation or it may be a custom and practice which is country-specific.

Legal influences – local custom and practice

When a multinational corporation expands its operations beyond its domestic borders, the legal environment that regulates its operations and dictates its employment laws will differ from the home country. However, legal influences go beyond what is written in the text of a law that is passed by the government. Firstly, laws are interpreted by previous legal cases, for instance where language within the employment legislation is open to interpretation. Secondly, there are norms of employment practice that are not covered by legislation but are considered to be part of the custom and practice of employment within a country, industry or company setting. The concept of custom and practice relates to an arrangement that has developed over a period of time and which

has never been formally agreed between employer and employee but has nevertheless been an accepted part of employment terms and conditions for everyone employed within the organisation, for example the provision of overtime and overtime pay at a specific rate.

There is no fixed period for when a practice comes to be considered as local, but it must be long standing and followed by both employer and employees over a period of time. It must also be a practice which is continuously and consistently applied on every occasion. In a dispute between employer and employee, employment tribunals may find against an employer if the employee can demonstrate that the circumstances leading to the dispute were based on established custom and practice.

The IHRM practitioner must therefore ensure that they are aware of different customs and practices that are in operation in different areas of the business. It is important that written terms and conditions of employment are clarified and best practice policies are developed and communicated to avoid any costly litigation.



OVER TO YOU

Activity 2: Legal – local custom and practice

In a multinational organisation with which you are familiar, compare any employment custom and practice in your own country with that of another country.

Consider what impact those difference will have when managing human resources across borders.

What are the implications to both the employee and the employer?

For example: in the Norwegian (Oslo) office of a multinational corporation, staff will arrive half an hour before the start of work to sit down for breakfast together at the beginning of the workday. The company provides a kitchen and breakfast room for this purpose, and food is purchased on a company account. This practice does not take place in other offices such as France or Italy.

CASE STUDY

Mondelez International's hostile takeover

British confectionery firm Cadbury was founded in 1824. The founders were Quakers, and built Bourneville village to improve the living conditions of the employees at the Cadbury factory. The company had a strong tradition of ethical and socially responsible business practices, not only in providing customers with quality products but also at the forefront of employee welfare practices, well before they were part of normal company practice.



Hostile takeover

In January 2010, Kraft Foods bought Cadbury. It developed a subsidiary company known as Mondelez International. The controversial buyout was aggressive and the sale of a well-loved British brand was not well received, leading to a parliamentary investigation. The suspicion at the time was that the business values would be damaged by Mondelez International in its search for profit.

Broken promises and customs and practices

At the time of the takeover, Kraft executives made a number of promises that have not been kept:

- Production of Cadbury's Dairy Milk products would remain in the UK, but varieties of the chocolate are now produced in Poland.
- The factory in Somerdale, Bristol, would stay open, but one week after taking ownership of Cadbury Mondelez announced the closure of the plant which led to 1,000 job losses.
- Commitment to continue using Fair Trade cocoa beans; these were changed to Cocoa Life, which does not adhere to the same price rules.
- Cadbury pensioners were refused the tradition of free treats.
- Mondelez changed the chocolate shell of Creme eggs from Cadbury's Dairy Milk to a "standard cocoa mix chocolate", much to the irritation of consumers.
- Organic brand Green and Blacks will be used for a range of non-organic chocolate in the US market.

Institutional influences – local custom and practice

An institution refers to an organisation which has an official role to play within the country. These organisations include public utilities, education establishments, financial bodies, trade unions, public enterprises and agencies of the government.

At the institutional level, local custom and practice is likely to be influenced by history, including key events. Other influences will include its size and where it is located, and the role that the institution has played in the region. The "institutional interlock" (Dore, 2000)⁷ will determine what the typical relationship is between a country's organisations and broader society. Examples include:

- **Liberal market economies** – privatisation of state-owned industry, deregulation and negativity toward trade unions and free market principles.
- **Social partnership** – high levels of stakeholder involvement, consensus and decision-making, protectionist governmental intervention, high public expenditure, trade union engagement.

⁷ Dore, R. (2000), *Stock Market Capitalism: Welfare Capitalism: Japan and Germany versus the Anglo-Saxons*. Oxford University Press

Inherited models of institutional involvement in organisational governance, historical quirks and perceptions regarding previous management decision-making will all contribute to the expectations of institutional interaction in a particular corporation, and organisational involvement and support for institutions.

Institutional influences therefore impact IHRM priorities in relation to how employees are managed, collective negotiation of pay, job security, horizon of performance targets and investment strategies in regard to training and development.

Cultural influences – local custom and practice

Cultural diversity is a central issue in IHRM. Employees in a multinational corporation will be subjected to working alongside people in different geographical locations, with different perspectives regarding working styles.

Schein defines culture as:

“ A pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration ... A product of joint learning. ”

Schein (2006)⁸

A positive benefit is the exposure to new ideas, ways of communication and social practices. Cultural differences do, however, mean that learned customs and practice may differ widely, especially in regard to conventions relating to acceptable behaviour and work practices. Cultural norms around time keeping, recruiting family members, gender and race discrimination, management styles, teamwork and levels of pay and benefits are all impacted by both the national culture and the organisational culture. It can be useful for IHRM to understand these cultural influences in order to avoid cultural misunderstandings with transnational employees working in international teams.



OVER TO YOU

Activity 3: Identifying cultural customs

Imagine you are an International Human Resource Manager in a multinational corporation that is beginning operations in your home country. What advice would you provide regarding cultural influences, customs and practice that would help transnational employees?

⁸ Schein, E. (2006), *Edgar Schein: Organizational Culture and Leadership* [online]. Retrieved from: thehypertextual.com/2013/01/17/edgar-schein-organizational-culture-and-leadership/ [Accessed on: 23 Oct 2017]

Organisational infrastructure and employee readiness to change

Change management is a difficult undertaking in any organisation; a common process of change in an organisation is structural change, and this is a big undertaking in a multinational corporation.

At the heart of any organisational infrastructure, change is necessary for the organisation to remain competitive. This means that strategy, structure, processes and policy are regularly reviewed to ensure that each will deliver the organisational objectives. Sometimes organisational change is minimal and affects very few people. However, larger or whole system change will involve a lot of people and pose a significant challenge. Change management requires that individuals are prepared and ready for change at all levels in the organisational system.

Business systems

The organisation is a system, and if one part of the system changes, it will have an impact on other parts of the system. Therefore, whatever change is planned, it is essential that change managers take a whole systems approach. This ensures that there is the capacity within the employee population to change, including skills, attitudes and behaviour, and there is a clear understanding of the interrelations between different functions within the system. This involves a series of risk assessments and development initiatives to ensure that any barriers to change are identified and plans put in place to manage risks. Very often organisations will have dimensions which are in delicate balance and the issue with a planned infrastructure change is only understood once the change takes place. For example, the integrated social, economic, legal and political ties between Great Britain and Europe are only just being understood as the British government attempts to replace the hundreds of dependencies and systems that exist.

Understanding risks and barriers within the business system will mean that the infrastructure change managers will need to make decisions on whether to remove the barrier, amend it, or by-pass it completely. Whatever change occurs, such as integrating merged company systems, there needs to be flexibility and responsiveness, a strategic approach, and good communication to ensure that the system can continue to operate and emerge from the business system change effectively.

The more complex the change, the more important readiness to change will be and the greater the need for a full business system assessment, to ensure that there is a full understanding of the whole system and which elements are able to change.

Employee skills and attitudes

Change-readiness is influenced by an individual's attitudes and beliefs about organisational change, which themselves change in response to psychological and financial factors. If an individual has high self-efficacy and feels secure financially then they will much better manage their anxiety during the change process. However, change from a people perspective is particularly difficult as employees manage the anxiety that derives from the unknown. Infrastructure change can create opportunities for individuals but invariably leads to individuals losing their jobs. This means that change managers must be aware of managing high levels of uncertainty to avoid resistive behaviours and ensure that during the change process individual attitudes, behaviours and beliefs about the organisation are managed proactively.

 OVER TO YOU**Activity 4: Change-readiness assessment**

Complete this change-readiness assessment to see how change-ready you are:
www.ecfvp.org/files/uploads/2_-change_readiness_assessment_0426111.pdf
Change-readiness is something that can be developed. Develop a personal action plan to improve your personal change-readiness.

3.2 How practices may operate within and across a multinational corporation (MNC)

Human resource management practices will differ across borders within a multinational corporation. This may be for a variety of reasons, but in understanding the context in which the function is operating it is possible to develop appropriate practices, whilst still ensuring that the IHRM function is aligned to the international HR strategy and vertically aligned to the multinational corporation's global and local subsidiary strategy. As much as possible, HRM practices will need to be standardised to achieve global efficiency. This means that many IHRM practices will be transferred and diffused from headquarters to subsidiaries to improve co-ordination and promote a common corporate culture. However, this must be balanced with the need to be responsive to the subsidiary's local requirements in both its design and implementation of HRM policies. IHRM practices do not only have to travel from headquarters to subsidiary; it is possible that the HRM systems within the subsidiary provide a creative business solution or new work technique which provides significant organisational benefits, so adoption of new practices from a subsidiary can occur.

The process of diffusion and organisational readiness for change

The process of **diffusion**, through which HRM practices and readiness for change are transferred in the multinational corporation, enables an organisation to utilise effective IHRM and achieve

competitive advantage. The diffusion of innovation theory (Rogers, 2003)⁹ explores the reasons why, and speed within which, innovations spread through a group. An innovation is a new behaviour, idea or object, normally associated with technology. The model can be used to explain an organisation's readiness for change that would lead employees to accept or reject a particular practice within the multinational corporation.

Rogers (2003) also focused on the importance of communication channels, highlighting the importance of interpersonal communication and relationship channels in achieving mutual understanding and successfully navigating the decision-making process to persuade individuals to adopt an innovation or change. There are five stages to the adoption process which include those shown in Table 1.

Knowledge	In this stage, the individual finds out that the change exists and begins the process of discovery. The purpose is to develop an awareness of the change in order to explain its advantages in terms of economic advantage, convenience or improved working conditions. From a readiness for change perspective, this is the essential part of the process, providing employees with information and training to demonstrate that the change will deliver a relative advantage compared to remaining the same.
Persuasion	The persuasion stage occurs when the individual begins to shape either a positive or a negative attitude towards the change. The attitude adopted at this stage doesn't determine whether the individual will ever adopt the change. This stage is focused on how the individual feels about the change and whether it is consistent with existing values and practices. From a readiness for change perspective, offering an opportunity to trial or experiment with the new practice will reduce risk. The outcome of the process will depend on levels of uncertainty and the influence of others.
Decision	It is at the decision stage that the individual will make a choice as to whether to adopt or reject the change. From a readiness for change perspective it is important to note that group influence can make this a collective decision rather than a personal one.
Implementation	At this stage, the change is put into practice, although this may be affected if uncertainty levels are high. Once implemented, the innovation-decision process is complete. At the implementation stage it is usual for reinvention to occur. From a readiness for change perspective, simplicity and ease of use will help employees to adopt changes more quickly.
Confirmation	The final stage of the change process involves the individual seeking confirmation that the decision they have made is supported. Conflicting messages at this stage could lead to decisions being reversed. It is at this stage that individuals will be seeking visibility of results to support new practices and the attitude of the employees may change if others are adopting the change too.

Table 1: Stages to the adoption process



⁹ Rogers, E.M. (2003), *Diffusion of Innovations*, 5th Ed. Simon and Schuster

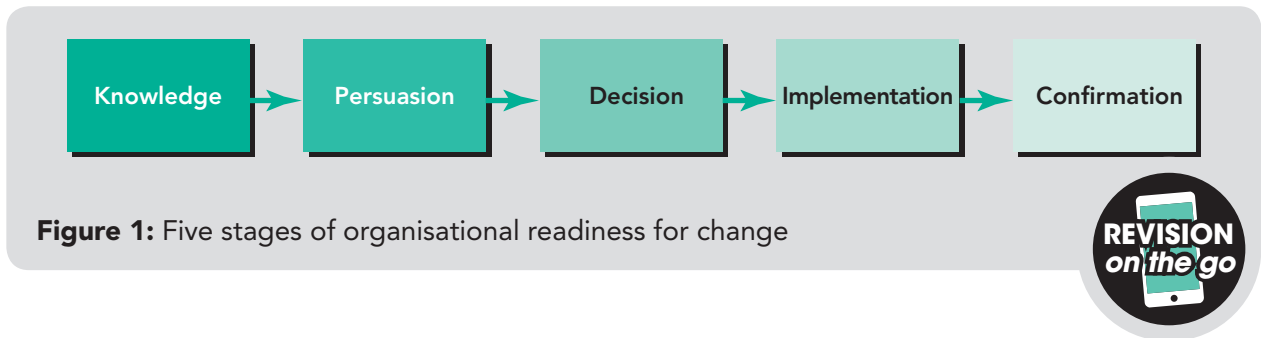


Figure 1: Five stages of organisational readiness for change

Model of the diffusion of innovations

Rogers (2003) categorised members of the social system as adopters of innovations based upon their innovativeness, introducing five classifications.

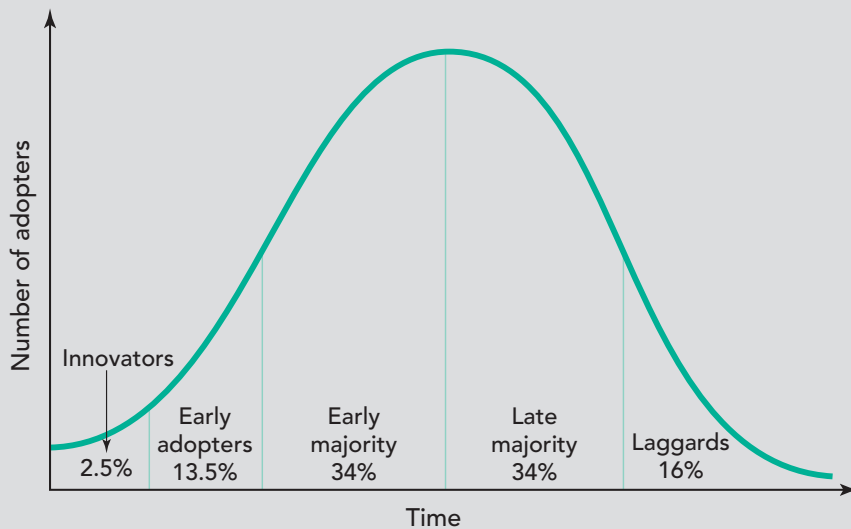
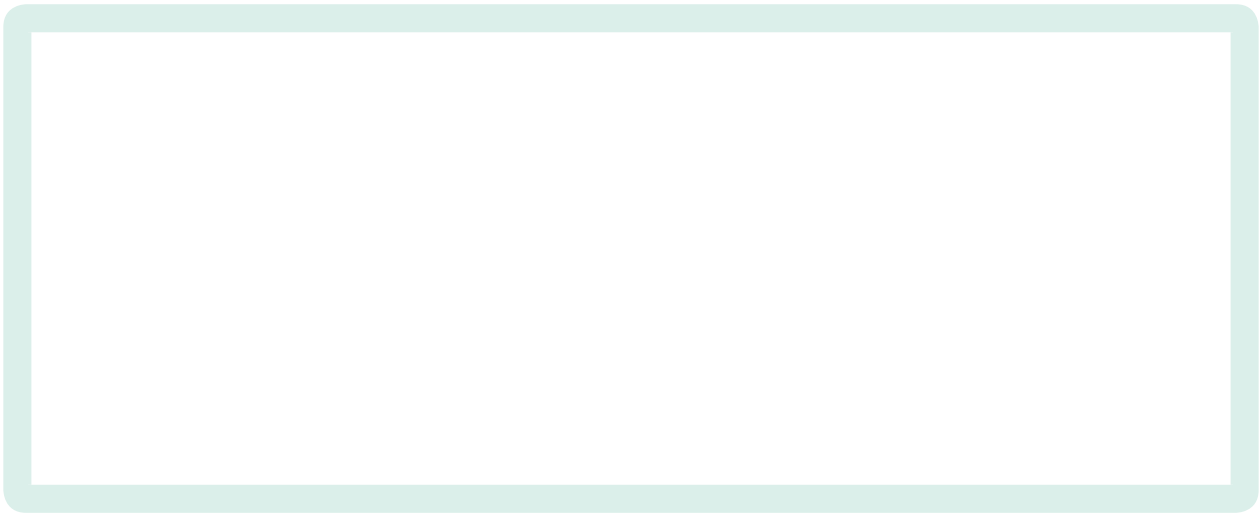
Innovators	Individuals who are open to new ideas and the uncertainty that comes with such new ideas. Often gatekeepers with complex technical knowledge, innovators bring innovation from outside the system so they can often be regarded with suspicion by others.
Early adopters	Early adopters are likely to hold a leadership role, and work within the boundaries of the system. They are role models and their attitude towards an innovation is important. Their adoption of the change will decrease uncertainty for the rest of the population.
Early majority	Although lacking the leadership role of early adopters, the early majority still have interpersonal networks and connections which are important in the change-diffusion process.
Late majority	The late majority wait until the majority of their peers have adopted the change before peer pressure and economic necessity compel them to adopt it.
Laggards	Lacking awareness of innovations, these traditionalists are sceptical about change. Laggards tend to occupy a small cohesive group within the system and the lack of economic resources and leadership role within the group means that they take a long time to make a decision about innovation.

Table 2: Classifications of the members of the social system as adopters of innovations

OVER TO YOU

Activity 5: Peer pressure

Watch the YouTube video "Diffusion of Innovation Theory: The Adoption Curve" at: www.youtube.com/watch?v=9QnfWhtujPA
 How can peer pressure be used to develop organisational readiness for change? What possible communication channels could be used by the IHRM function to support behaviour change?



Source: Adapted from Rogers (2003)

Figure 2: The distribution of adopters



In a multinational corporation, the diffusion of HRM practices can be complicated by the organisational operations and contextual differences between subsidiaries as well as geographical distance and time differences. The degree to which change is successful will depend upon the IHRM strategies and the degree to which standardisation is balanced with local responsiveness.

Formal and informal ways of influencing behaviour

Pressure on IHRM practices will come from both the home country and the host country in multinational corporations. These will manifest as both push and pull forces. **Informal systems** will be linked to socially constructed systems of shared understanding that won't be codified in written policy documents or rules, for example tolerance and attitudes towards "banter" in the workplace.

Formal systems will reflect the written explicit rules and standards which outline expected behaviour and action between individuals and reporting lines, for example bullying and harassment policies.

International assignments

International assignments are a significant cost for IHRM and are difficult to manage. An international assignment typically involves redeploying an employee from the home country to a position in a host country. Often, individuals chosen for international assignment will be selected because they have specific technical skills that are needed within the subsidiary, or as a part of a career development programme for leaders.

There are a number of issues the IHRM practitioner will need to consider when sending an individual on an international assignment such as legal, tax and pension, visa and permits for work and residence, social security and regulatory implications. However, a well-planned process of international assignment management can provide an opportunity for individuals to live and work in a foreign country, which will broaden their experience, help them to develop new skills and enhance the culture of the organisation.

There are five approaches to international assignments that were identified by Dowling et al. (2008)¹⁰.

Short-term	Useful for a situation in a subsidiary that requires an interim intervention or a temporary position to provide cover until a permanent replacement can be recruited.
Extended	These assignments generally last around 12 months and are similar to short-term assignments. The individual is expected to live abroad and may also relocate their family. Some expatriate assignments can also last two to five years.
Commuter	As the name suggests, the individual on the assignment commutes to the assignment in another country on a weekly or bi-weekly basis.
Rotational	These assignments are similar to commuter assignments but the individual will reside for a set period in the subsidiary before returning for an extended break in their home country.
Virtual	Modern communications technology has made it possible for an individual to remotely manage an assignment from their home country without moving to the host country.

Table 3: The five approaches to international assignments identified by Dowling et al.



The use of international assignments means that individuals can help to support the organisation's goals in the host country, using their ability to influence individuals and groups to promote understanding of the multinational corporation's cultural perspective, specifically in regard to infusing the informal system with influences from the home country. At the same time, an international assignment will help the individual to develop a global mindset and will help them to develop a deep understanding of the way business is done in the host country.

¹⁰ Dowling, P.J., Festing, M. and Engle, A.D. (2008), *International Human Resource Management: Managing People in a Multinational Context*, 5th Edition. Melbourne: Thomson Learning

 OVER TO YOU

Activity 6: Advantages and disadvantages of international assignments

What are the advantages and disadvantages of sending an individual from the home country to work on an international assignment in a host country subsidiary?

Consider the implications on the multinational corporation's home country, the host country subsidiary and also the individual themselves.

Developing a corporate culture

Culture is deeply rooted in organisational environments and culture change is a process that seeks to change the shape of an organisation's values, norms and beliefs. Formal influences in developing a corporate culture will be enshrined in the codified policies and practices, and can also be symbols within the organisational environment, for example an open plan office will seek to develop a culture of openness and ease of communication. Other **artefacts** that will help develop a corporate culture can include the presence of hierarchy, for example designated parking spaces for senior management. Choices about where training and development budgets are spent, whether management positions are given only to individuals on international assignment or to nationals, or the governance process regarding decision-making will all drive perceptions in regard to what the organisational culture is versus what the organisation says the culture is.

From an IHRM perspective, the creation of a single shared corporate culture in a multinational corporation can improve the success of the organisation and hold the disparate parts of the organisation together. In this respect, Schneider (2003)¹¹ said that corporate culture is, "the glue

¹¹ Schneider, Z. (2003), Approaches in Quantitative Research, in: Schneider, Z. Elliott, D. LoBiondo-wood, G. and Haber J. (eds.), *Nursing Research: Methods, critical Appraisal and Utilisation*, 2nd Ed. NSW: Mosby

that holds geographically dispersed units together". However, developing shared values and beliefs across borders to convey a global corporate culture is difficult to achieve, and requires the identification and analysis of what Schein (1991)¹² suggested as three levels of culture.

- **Artefacts** – visible signs of the culture which can be observed, such as strategy documents, goals and targets, organisational design and processes.
- **Espoused beliefs and values** – what people say about the organisational culture, such as those that are captured via an employee opinion survey, for example the use of power and authority especially around status, common language, reward and punishments, and rules to manage relationships.
- **Underlying assumptions** – the beliefs and values which are taken for granted and which are not visible but which are essential if corporate culture is to be developed, such as perceptions of what is true, ideas about human nature and appropriate behaviour, and ideas around the management of time and personal space.

Even within a single office **sub-cultures** may exist, especially at different levels of the organisation or in different roles. It is essential for corporate culture to development alignment of sub-culture, and both the social and technical systems elements of the organisation will need to be understood and, where necessary, challenged to ensure that the corporate culture is able to adapt to external pressures and develop internal interdependencies.

📄 CASE STUDY: BREAKING SILOS

Developing an agile corporate culture

A multinational corporation was struggling with the lack of collaborative working among the senior leadership teams, with different geographic area management teams across Europe and the Middle East operating in a siloed fashion. Communication and sharing best practice was limited, resulting in duplication of effort, conflict, blame and misunderstanding.



Task

The focus was on developing a collaborative and agile leadership team who could respond proactively, sharing role models and "one organisation" behaviours with the rest of the organisation.

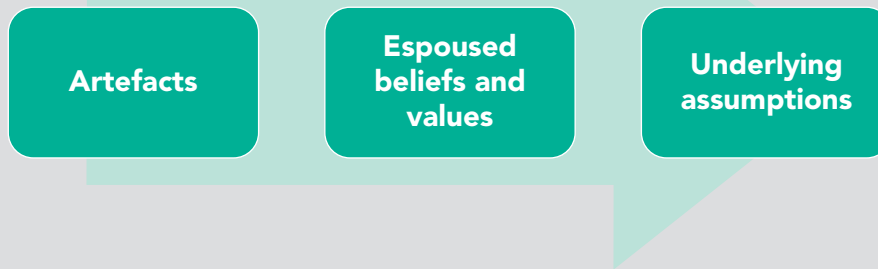
Action

A number of interventions were established over a 12-month leadership development programme. In addition to experiential workshops to bring teams together and one-to-one executive coaching, communities of practice were also facilitated for specific specialised projects of strategic significance. Other supplementary interventions included the use of learning buddies, day in the life work shadowing, an online management learning zone on the learning management system, a human library for knowledge sharing and the water cooler forum to help encourage internal conversations.

Outcomes

Managers reported increased networking and "one company" thinking in the management teams, and behavioural mechanisms were introduced as part of the performance development review. Some communities of practice resulted in important developments which led to future revenue generation.

¹² Schein, E.H. (1992), *Organizational Culture And Leadership*. John Wiley & Sons



Source: Adapted from Schein (1991)

Figure 3: Three levels of culture



3.3 The benefits and challenges facing a transnational worker

The number of transnational workers is increasing, and with employees of multinational organisations working abroad, the IHRM function will need to ensure that both the employee and the organisation are able to manage global challenges and take advantage of opportunities.

Career management practices

At first glance it may appear that HRM processes, practices and policies relating to recruitment and selection, learning and development, employee relations and rewards are the same for an organisation operating in one country, and those operating across international borders. However, career management practices become much more complicated when international perspectives are taken into account.

Selecting and training transnational managers

Cultural differences are a key aspect of the complex nature of selecting and training transnational managers. Firstly, the IHRM function will need to consider the career expectations and assumptions of different cultures and how this can lead to conflicts between transnational managers and those employees working within the subsidiary.

Cultural sensitivity will therefore be a key component of selection criteria when identifying potential candidates for a transnational manager position, and it is recommended that individuals are assessed for their interpersonal skills in addition to technical and business skills when being selected for an international assignment. It is important that any candidates possess strong communication and influencing skills. Individuals who have experience of working in different situations with people from different cultures and demonstrating flexibility are also desirable for international assignments.

Training programmes for transnational managers need to be considered to ensure that they are able to transition from the home country to the host country without encountering legal issues, as well as avoiding conflicts with local workers. Therefore, in addition to any technical training,

transnational managers should also receive training on cross-cultural awareness, language training and country laws and customs, including employment law.

As well as training prior to the international assignment, provision must also be made to support the transnational manager on their return to the home country in order to re-assimilate them when they return.

International assignments themselves can be viewed as a career development opportunity, which builds the individual's expertise in international business practices, and helps to develop knowledge and experience of working in culturally diverse and different environments. This accumulation of cultural knowledge is a key learning process for managers within a multinational corporation and it builds the knowledge bank of the organisation, especially as transnational managers are promoted into more senior roles.

CASE STUDY: FROM RUSSIA WITH UNDERSTANDING

International career development

Jeremy had worked in a variety of general management roles within a large multinational corporation but all within the corporation's home country. Following a number of sideways moves across different functions and regions, Jeremy was offered the opportunity of a promotion to regional director in the emerging market in Russia. This was a new market for the multinational corporation and the assignment began as a commuter assignment to set up the office and establish the local business for the corporation.



Jeremy was supported in researching the Russian market, including the legal complexities of establishing a business in Russia, and the corporation paid for lessons in the Russian language.

From short-term to an extended assignment

Over a period of two years, Jeremy developed the Russian business to be the largest local business in the multinational corporation. He then researched and established new entities and service operations in Turkey, Romania, Iraq and Azerbaijan. As a result he was promoted to the role of managing director of the emerging markets division. The experience of negotiating across borders, and delivering complex projects internationally, resulted in Jeremy becoming a member of the board of directors in the Europe and Middle East region, based in Dubai.

Transnational challenges

The management of the HR function in a multinational corporation is complicated enormously by the need to adapt HR policies and procedures to the different countries in which each subsidiary is based. The following are some inter-country differences that demand such adaptation by the transnational worker.

Travel and burnout

Retention of transnational managers is a significant issue for IHRM with high turnover rates being attributed to long hours, extensive travel and the accompanying **burnout** associated with extended assignments abroad. Although some transnational employees never experience burnout, living in multiple countries and being away from home for extended periods can lead

to an overwhelming sense of tiredness resulting in assignment failure and the transnational manager wishing to exit the organisation.

The IHRM function has a big responsibility in ensuring that the transnational manager has the right support in place. This includes providing regular opportunities to reflect on how things are going and ensuring that job satisfaction, living arrangements and personal relationships are satisfactory. Providing mechanisms like counselling helplines will ensure that problems don't escalate into crisis.

Travel can appear at first glance to be exciting, especially having the opportunity to explore new countries and cultures. However, day-to-day work routines very often mean that a transnational manager's travel experience involves a day-to-day routine, seeing the inside of taxis, offices and airports with little opportunity to explore the country in which they have relocated.

Providing the time and opportunities for sightseeing and experiencing the culture will help transnational managers to enjoy the benefits of working abroad and develop an understanding of the locale in which they are working beyond expatriate communities.

Relocation support ensures that the transnational manager is provided with a group of people to welcome them to their new country and to help them settle in. The provision of support networks, relevant information regarding local customs and practice, and 24-hour travel support will ensure that, as much as possible, the transnational manager has someone on hand to help them in each and every situation.



OVER TO YOU

Activity 7: Job burnout

Read the article by Bhanugopan, R. and Fish, A. (2006), "An empirical investigation of job burnout among expatriates", *Personnel Review*, Vol. 35, Issue 4, pp. 449–468. (This article will be available in your online student resources.)

How is failure of expatriates a failure of IHRM?

Cultural and ethical sensitivity

Of all the issues facing a transnational manager, cultural sensitivity and the differences in management style and HR practices among subsidiaries will be the most challenging. International cultural differences have been researched in depth. There are number of dimensions which highlight the cultural sensitivity of which transnational managers need to be aware, as shown in Table 4.

Classification	Cultural sensitivity	Response	Countries
High context (Hall, 1977)¹³	The physical environment, non-verbal behaviours and the situation will determine the communication message conveyed.	Be sensitive to the immediate environment and feelings of others.	Chinese, French, Japanese and Arabic countries
Low context (Hall, 1977)	Explicit verbal messages are essential to communication, with less focus on interpersonal relationships.	Rely on logical thinking and analysis.	The USA, the UK, Canada, Australia, Germany and Switzerland
Interdependent-self (Markus and Kitayama, 1991)¹⁴	People are defined by a sense of belonging to the collective or social context. People will act in the interests of the group.	Relationship is crucial and there is a tendency to seek information about how others identify self within the collective.	China and Japan
Independent-self (Markus and Kitayama, 1991)	Individuals define self as separate from context and others; individuals have looser relationships and look after themselves. Groups are defined as in-groups and out-groups.	Individuals express their distinct individualism and remain detached from each other.	North America and most Western European countries

Table 4: Dimensions of cultural sensitivities



¹³ Hall, T (1977), *Beyond Culture*. Anchor Books, pp. 91–13

¹⁴ Markus, H. R., and Kitayama, S. (1991), "Culture and the self: Implications for cognition, emotion, and motivation", *Psychological Review*, Vol. 98, Issue 2, pp. 224–253

Such cultural differences have implications for both IHRM and the transnational manager. Both HR and managerial practices will need to be adapted to take into account these cultural norms. Ethical sensitivity requires that the transnational manager has empathy for the cultural needs of peers and employees, and accommodation must be made of differing attitudes to those that are considered the norm in the home country.



OVER TO YOU

Activity 8: Lifetime employment

In Japan's patriarchal system, workers expect lifetime employment in return for loyalty and hard work.

How does this perception compare with your own expectations regarding employment?

Legislation and language abilities

Successful adaptation to an international assignment requires a myriad of skills and knowledge beyond that of a normal work assignment. Most significant of these is the ability to integrate and develop intercultural competency.

Although English is considered to be the international language of business, learning the language of the destination country is essential. For some countries such as Japan, Russia or the Middle East, a new alphabet will need to be learned, in addition to learning the language itself. The IHRM function should ensure that the transnational manager has time to prepare and learn the language to an appropriate level where basic reading competency and knowledge of the local language is sufficient for them to comprehend what is needed to perform in their role.

The international legal environment is varied, and understanding the laws as they apply to both host and home country is a considerable burden for the IHRM practitioner in a multinational corporation. Transnational managers will need to be appraised of various employment laws specific to the host country, specifically those that differ from those of the home country. This will include laws relating to:

- health and safety;
- reward practices, for example overtime and minimum wage;

- maternity and paternity leave;
- discrimination, equal opportunities and diversity;
- taxation;
- holiday entitlement;
- working hours;
- employment contracts;
- grievance, dismissal, redundancy and retirement;
- privacy and data protection.

Support should be provided by the IHRM function to enable the transnational manager to navigate the legislative landscape.

READING LIST

- Bhanugopan, R. and Fish, A. (2006), "An empirical investigation of job burnout among expatriates", *Personnel Review*, Vol. 35, Issue 4, pp. 449–468. (This article will be available in your online student resources.)
- Caliskan, S. and Isik, I. (2016), "Are you ready for the global change? Multicultural personality and readiness for organizational change", *Journal of Organizational Change Management*, Vol. 29, Issue 3, pp. 404–423. (This article will be available in your online student resources.)
- Chen, S. Allison Haga, K.Y.A. and Fong, C.M. (2016), "The effects of institutional legitimacy, social capital, and government relationship on clustered firms' performance in emerging economies", *Journal of Organizational Change Management*, Vol. 29, Issue 4, pp. 529–550. (This article will be available in your online student resources.)

Summary

International assignments are a significant cost for IHRM and are difficult to manage. An international assignment typically involves redeploying an employee from the home country to a position in the host country. Often, individuals chosen for international assignment will be selected because they have specific technical skills that are needed within the subsidiary, or as a part of a career development programme for leaders.

As much as possible, HRM practices will need to be standardised to achieve global efficiency. This means that many IHRM practices will be transferred and diffused from headquarters to subsidiaries to improve co-ordination and promote a common corporate culture. However, this must be balanced with the need to be responsive to the subsidiary local requirements both in its design and its implementation of HRM policies.

The number of transnational workers is increasing, and with employees of the multinational organisation living abroad, the IHRM function will need to ensure that both the employee and the organisation are able to manage global challenges and take advantage of opportunities.

Chapter 4

The Process of Integrating Cross-Cultural Teams

Introduction

This chapter will introduce you to a number of cross-cultural models and integration processes which will enable you to understand the tools and techniques required to develop high performing, integrated cross-cultural teams.

Learning outcome

On completing the chapter, you will be able to:

- 4 Critically discuss the process of integrating cross-cultural teams**

Assessment criteria

- 4 Critically discuss the process of integrating cross-cultural teams**

- 4.1 Critically review cross-cultural models
- 4.2 Critically review cross-cultural integration processes

Level 6 Contemporary Developments in Global HRM

Background

There are many cross-cultural models which seek to explain the challenge of designing IHRM systems across cultures. Models explore differences between cultures and the influences that culture has on cross-border integration. As multinational corporations grow and expand their operations in new countries, IHRM and management systems need to design culturally appropriate practices and policies. Understanding how culture influences working practices and business operations enables IHRM to respond appropriately to contextual challenges and opportunities and to assist in designing an organisation which can be responsive to market, business and employee needs.

IHRM needs an operational model in which it can apply human resource practices and policies which make sense within the changing cultural context and which will support transnational workers and the employment environment throughout the multinational corporation.



OVER TO YOU

Activity 1: Learned meaning

Culture is a learned meaning system, which consist of patterns of traditions, beliefs, values, norms, meanings and symbols. Watch the YouTube video "Cultural Difference National Geographic" at:

www.youtube.com/watch?v=BT0kzF4A-WQ

Select a country that you know nothing about. Imagine, like the boys from Sudan, you were taken to that country.

What questions do you think you would have about the country?

What would you not know?

4.1 Cross-cultural models

In order to understand differences in national cultures a number of cross-cultural models have been developed in academic and practitioner circles which will help IHRM practitioners to navigate cultural perspectives across the globe.

Hofstede's model of cultural dimensions (1991)

A study of cultural dimensions by Professor Geert Hofstede¹⁵ is perhaps the best known of the models which measure international cultural differences. Hofstede offered five dimensions upon which different cultures differ.

Power distance	The extent to which individuals will accept hierarchical structures and superior/subordinate relationships. In an organisational setting this refers to the willingness of employees to accept authority and control from managers.
Uncertainty avoidance	The extent to which ambiguity and risk is tolerated. Risk-averse cultures will seek certainty through the establishment of institutions and regulation.
Individualism versus collectivism	The extent to which the focus of individuals is on their own wellbeing or on the collective network. Management practices and policies are well established in individualistic cultures.
Masculinity versus femininity	The extent of stereotypes relating to gender. Organisations with a masculine culture have values linked to levels of earning, recognition and promotion, whereas feminine cultures value employee relations, teamwork and collaboration.
Long-term versus short-term orientation	This dimension considers the time frame concerning what is valued in regard to decision-making. Value is placed upon long-term strategic planning versus pressure to make decisions and achieve results now.

Table 1: Hofstede's five cultural dimensions



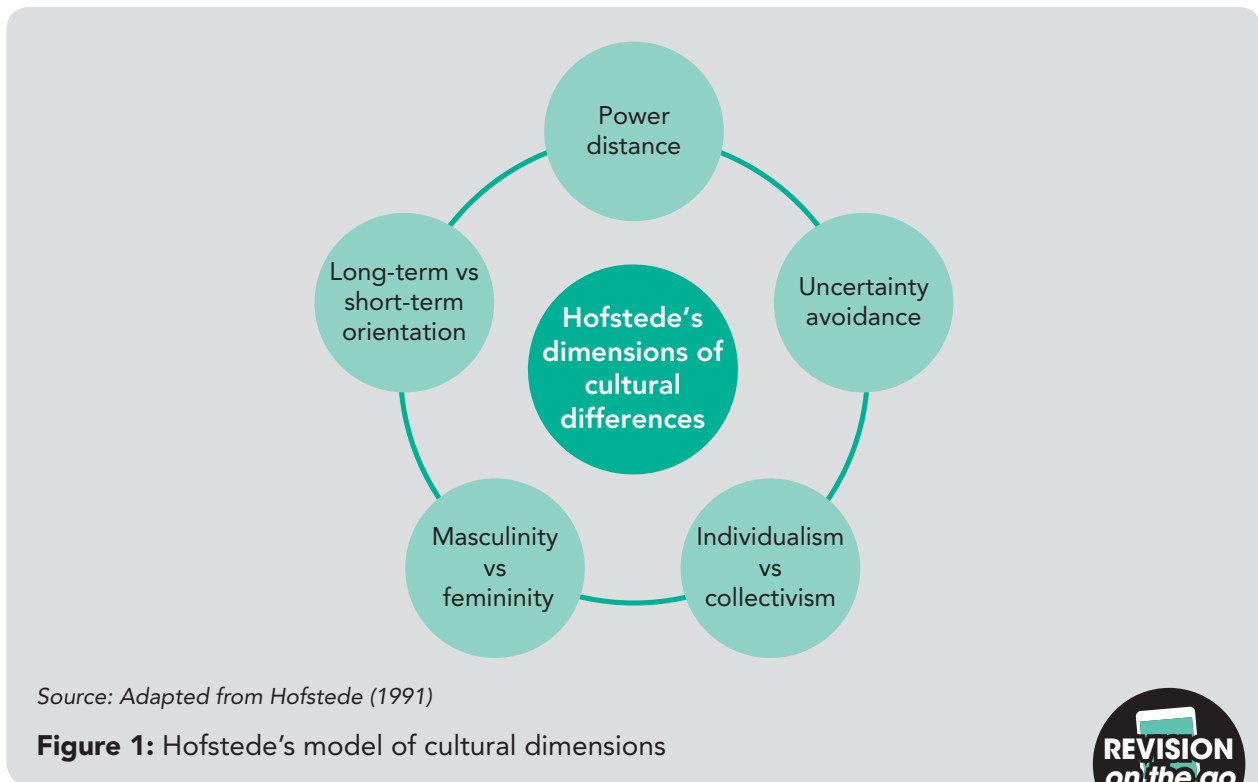
¹⁵ Hofstede, G. (1991), *Cultures and Organizations: Software of the Mind*. London: McGraw-Hill U.K.

Although this model has been influential, it is worth noting that the empirical research which supports the model took place in the late 1960s and early 1970s. In globalisation terms, this is a lifetime ago, and the model assumes culture is static, without having the flexibility to take into account huge societal shifts such as those caused by the changes in technology that have made globalisation possible. The model, which was based upon IBM employees only, also ignores sub-cultures, ethnic and religious groups and the effects of immigration and **migration** on national culture. The way society operates and what cultural references were drawn at the time has evolved significantly and it could be argued that many of the conclusions could be dismissed as cultural stereotypes.

 **OVER TO YOU**

Activity 2: Cultural dimensions

How does a cultural perspective regarding power distance assist management in analysing and understanding cross-border employment relations?



Fons Trompenaars' model of national differences

Trompenaars' (1993)¹⁶ cultural dimensions review the meaning and interpretation of the world. The empirical research was completed in the 1990s and identified seven relationship orientations.

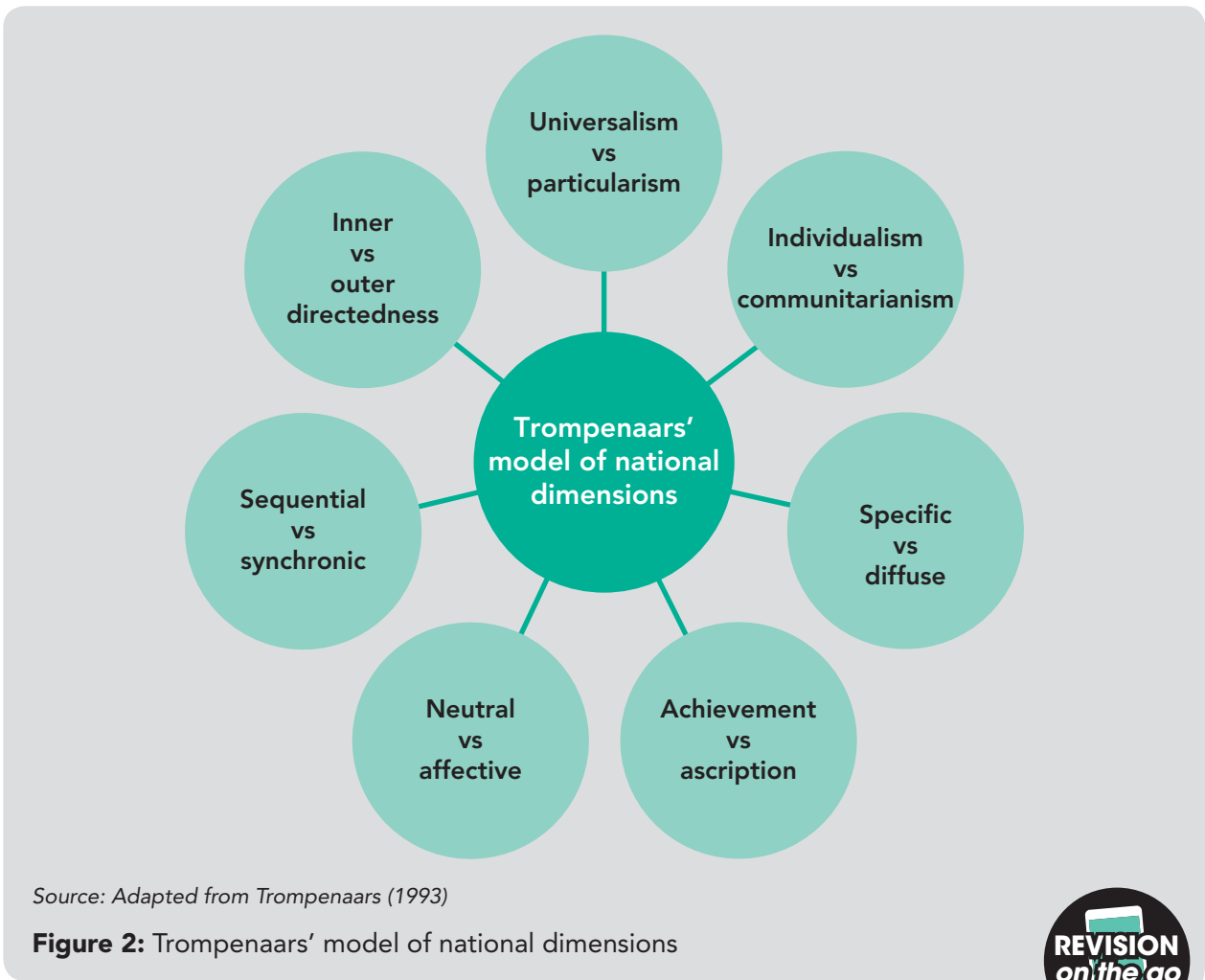
Universalism versus particularism	The extent to which individuals see occurrences as being part of a universal truth or relating only to specific situations. In an organisational setting, in universalistic cultures truth and fairness are significant whereas in particularist settings the emphasis is on protecting relationships.
Individualism versus communitarianism	Similar to Hofstede's dimensions regarding orientations about self.
Specific versus diffuse	The extent to which there is separation between private and public aspects of an individual's life. This relates to whether the individual is expected to bring the whole person or a compartmentalised version of themselves to a business relationship.
Achievement-oriented versus ascription	The extent to which individuals are rewarded with social status and progression as a result of hard work. In an organisation this relates to whether who you are matters more than what you have done.
Neutral versus affective	The extent to which emotion is shown as part of interpersonal interaction. In an organisational setting this relates to whether individuals are expected to demonstrate rationality or are allowed to show feelings.
Sequential versus synchronic	The distinction of time as either being linear or multiple. In business this will relate to whether individuals will multi-task or do one task at a time.
Inner versus outer directedness	The notion that individuals have control of their own destiny or are subject to outside forces over which they have no control. This impacts upon whether strategic planning is valued.

Table 2: Fons Trompenaars' seven relationship orientations



Trompenaars' dimensions face criticism because they rely on interpretation of the survey results to develop precise descriptions about how culture is affected. The background of the researchers may produce bias in the evaluation. Like Hofstede, Trompenaars' dimensions paint country culture as being one thing, rather than a system of sub-cultures. The model is imperfect and although it can provide generalisations to help assist transnational managers integrate when taking on an international assignment, the danger is that the model reinforces stereotypes.

¹⁶ Trompenaars, F. (1993), *Riding the Waves of Culture: Understanding Cultural Diversity in Business*. London: Economist Books



The Lewis Model (1996)

The most recent cultural model to gain recognition is the Lewis Model (1996)¹⁷. Lewis classified three types of culture, grouping countries according to the following behavioural characteristics.

Linear-active	Multi-active	Reactive
North America, Britain, Australia and New Zealand and Northern Europe, including Scandinavia and Germanic countries	All major countries in Asia, except the Indian sub-continent, which is hybrid	Southern Europe, Mediterranean countries, South America, sub-Saharan Africa, Arab and other cultures in the Middle East, India and Pakistan and most of the Slavic countries
Talks half the time	Talks most of the time	Listens most of the time

¹⁷ Lewis, R.D. (1996), *When Cultures Collide: Managing Successfully Across Cultures*. N. Brealey Publishers

Linear-active	Multi-active	Reactive
Does one thing at a time	Does several things at once	Reacts to partner's action
Plans ahead step by step	Plans grand outline only	Looks at general principles
Polite but direct	Emotional	Polite, indirect
Partly conceals feelings	Displays feelings	Conceals feelings
Confronts with logic	Confronts emotionally	Never confronts
Dislikes losing face	Has good excuses	Must not lose face
Rarely interrupts	Often interrupts	Doesn't interrupt
Job-orientated	People-orientated	Very people-orientated
Sticks to the facts	Feelings before facts	Statements are promises
Truth before diplomacy	Flexible truth	Diplomacy over truth
Sometimes impatient	Impatient	Patient
Limited body language	Unlimited body language	Subtle body language
Respects officialdom	Seeks out key person	Uses connections
Separates the social and professional	Mixes the social and professional	Connects the social and professional

Source: *The Lewis Model – Dimensions of Behaviour*, Lewis (1996)

Table 3: The Lewis model cultural classifications



In developing his model, Lewis hoped to provide a clear and succinct model that avoided confusion. His tripartite model divides humans in three clear behavioural categories instead of developing a typology based on nationality or religion. Lewis noted that it was the dominant characteristics that were of interest in identifying cultural types but in a work situation individuals might revert to work group cultural types as opposed to their national type. The main benefit of the model is that it helps IHRM and managers to identify how close a cultural group is to the multinational corporation's own cultural type, and this enables the organisation to test new recruits to understand the individual's cultural profile versus the organisational norm.

The issue with the Lewis model is that it has limited usefulness beyond developing an understanding of cross-cultural communication. Since the model operates at a high level, analysing national cultural types parcelled with cross dimensionality, this means that the insights the model provides do not always give useful information for day-to-day management situations.

CASE STUDY: CROSS-CULTURAL DIFFERENCES

Frustrating expectations

Tobey took a transnational position in a multinational corporation as country manager for China. Tobey had never worked in Asia before, and looked forward to using the opportunity to develop his reputation as a competent transnational manager. He had no understanding of the Chinese language and culture before travelling there.



Spare time

Tobey took his managerial position seriously, and avoided interacting with employees outside the workplace, choosing to keep his work and personal life separate as he would at home in America. At lunch time Tobey would eat lunch at his desk rather than eat in the staff canteen.

Difficulty getting things done

Tobey was surprised at how challenging and frustrating it was to achieve anything. He was specifically frustrated at the lack of commitment to hitting deadlines, and a dearth of feedback from his local team. Despite Chinese staff agreeing to do a particular task, he would often end up with his expectations frustrated and feeling disappointed. The end result was Tobey failing to achieve the required expansion in the Chinese market and costing the business a significant amount in time and resources.

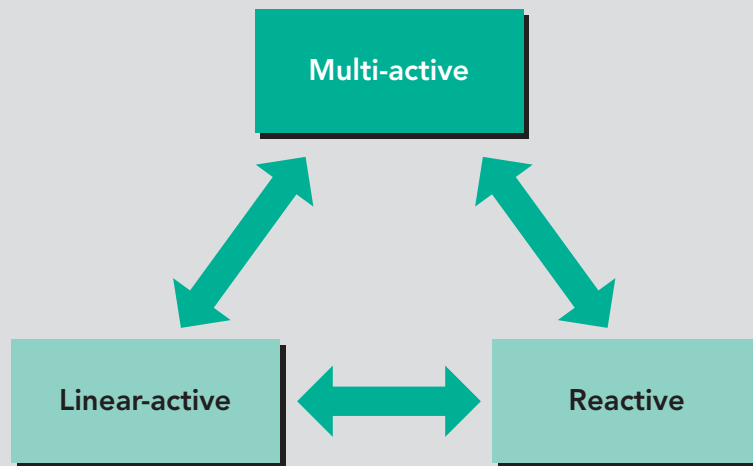
OVER TO YOU

Activity 3: Cross-cultural differences

Read the case study above. Why was Tobey's failure to understand the Chinese language and culture prior to his international assignment a liability?

What cultural differences led to the difficulties Tobey was experiencing?

What could he have done differently to aid integration and develop a positive cross-cultural encounter with his Chinese employees?



Source: Adapted from Lewis (1996)

Figure 3: The Lewis Model



4.2 Cross-cultural integration processes

Cross-cultural integration is an important part of IHRM practice to ensure that cross-border operations in multinational corporations avoid conflict because of cultural differences. The key issue that the IHRM function must address is how to develop processes to support cross-cultural integration and support cross-cultural management across the organisation.

Developing similar organisational cultures

Cultural integration prevents culture clashes caused by cultural differences through focusing on the values, behaviour and attitudes of different cultural communities. Developing a similar organisational culture across a multinational corporation requires human resource practices which co-ordinate cultural unity and diversity and which support the development of communication and understanding to avoid conflict.

The role of HR and HRM in preventing culture clash

Differences in culture can result in failure of the multinational corporation to realise the benefits of operating in a host country and translating those benefits into business success or competitive advantage. HR and HRM have three distinct roles to play in the process of cross-cultural integration.

Assessing cultural differences – Cultural differences don't have to be negative; this will include analysing which elements of the culture of the host and the home country are important in supporting the delivery of the strategic objectives. HR will need to visit the subsidiary in order to

learn first-hand about local customs and they must ensure that staff are educated on the observed cultural rituals to avoid causing offence. HR must also explain to the employees the vision of the multinational corporation and the role the subsidiary plays in helping to achieve that vision. The IHRM practitioner must also answer any questions that subsidiary employees may have in regard to the multinational corporation and the concerns regarding change. Communication during the transition period is the most important element of the role of HR and HRM.

Integrating – Cultural integration requires a process which blends the best practices of the host and home country. Integration is different from the subsidiary culture being subsumed by the culture of the multinational company. It is a process of blending the two cultures rather than forcing one culture to be absorbed by another. This means that everything from management style, employee perks, absence management and how employees request time off is examined. As new practices and policies are developed, the role of HR is to communicate to the management and employees how things will work going forward, and more importantly why these ways of doing things are important. Providing opportunities for individuals from different cultural backgrounds to work together in a supportive environment and encouraging employees to interact both formally and informally is an essential element of this process.

Sustaining – Cross-cultural integration doesn't happen as a result of a single intervention. It is also important to acknowledge that total cultural integration is neither possible nor desirable. Integration isn't about wiping away cultural traditions or identities, but rather about ensuring that the cultural differences can navigate a merger to make it work and allow the best of both worlds to be incorporated. Integration is the ongoing process of supporting employees of different cultural backgrounds working together, developing open communication, celebrating diversity and promoting multi-cultural mindsets within the employee population.

CASE STUDY: OFFICE ETIQUETTE

HR supports German and Polish integration

A Polish organisation acquired a German company and moved the company headquarters from Germany to Poland. In order to ensure that cultural differences didn't get in the way of organisational operations, the HR department engaged cultural coaches to help employees adjust to different cultural paradigms.



Decision-making

One area where there were significant cultural variations was in decision-making. When agreements are reached, German workers will seek to implement a decision straight away, whereas Polish workers will want to reflect on, and take time to talk about, the agreement that has been made.

To overcome the cultural needs of both German and Polish workers, a follow-on review was scheduled to provide time for the Polish requirement for reflection and the German need to stick to a plan when it has been agreed.

This compromise ensured that the different decision-making styles could be integrated into new ways of working and cultural conflict could be avoided.

Developing cross-cultural communications

Cross-cultural communication is of strategic importance to a multinational corporation if the global business is to grow successfully and the diverse workforce is to be effectively managed.

Cross-cultural communication strategy

A strategy for cross-cultural communication requires a decision to make a conscious effort to understand potential issues with cross-cultural communication and to develop approaches to overcome these challenges. There are three key elements to an effective cross-cultural communication strategy:

- **Developing a cross-cultural mindset** – Highlighting the importance of keeping an open mind is an essential component of any cross-cultural communication strategy. It is easy to take for granted the cultural norms as to how our communication is interpreted. It is essential that any communication strategy includes mechanisms to challenge assumptions about how communication might be received. Sense-checking communication messages with those from other cultures is one way to highlight gaps in knowledge and to ensure that the communication is delivering the desired message.
- **Developing knowledge of cultural backgrounds** – Developing an awareness of the cultural background of the people who will be receiving the communication will help to ensure that resources committed to communication tactics are not wasted and techniques are used which appeal to a culturally diverse audience.
- **Interpersonal skills** – Although a lot of communication in an organisation will be broadcast using technology, it is essential that individuals are trained in interpersonal skills such as active listening, non-verbal communication and communication skills. This will ensure that when interacting and communicating with others in the organisation, communication touch points will be effective.

Communication in developing norms and values

Communicating norms and values frequently will help to increase accountability of individual employees to the group's shared values. Documenting norms and values and revisiting them on a regular basis will create ownership of agreed norms and values. The purpose of communication in this respect is to help transfer ideas and knowledge from one culture to another, and to develop understanding.

Developing knowledge about communication norms is also important for effective cross-cultural working. Open and honest communication can be built by using structures such as facilitated discussion to develop a conscious framework for dialogue, interaction and meetings.

Communication technology

A globally connected multinational corporation is aided by modern communication technology, which has a profound impact on how organisations can communicate cross-culturally. However, when communicating cross-culturally, it is essential that the IHRM practitioner is aware that technology, no matter how sophisticated, is simply a communication medium. Cultural nuances can still provide barriers to successful communication regardless of the technology being used.



OVER TO YOU

Activity 4: Cross-cultural communication

Watch the YouTube video "Cross cultural communication" at:

www.youtube.com/watch?v=YMyofREc5Jk

Reflect on what you have learned.

How do very different cultures successfully coexist?

Developing cross-cultural collaboration and innovation practices

Globalisation offers the multinational corporation new challenges in developing collaboration and innovation across borders. Considering the cross-cultural needs of employees and leveraging cross-cultural team strengths in order to facilitate knowledge sharing, employee engagement and sustainable reward practices can foster innovation.

Knowledge management practices

Collaboration and knowledge sharing are essential for optimal performance of employees in a multinational corporation. Tapping into a global network and transferring knowledge across borders requires a mixture of developing local and national learning networks, designing organisational structures to encourage the creation and sharing of knowledge across cultures, functions and teams and facilitating communication and the exchange of ideas between team members distributed across the globe. In this respect, embracing cultural differences will help the multinational corporation to share, create and develop innovative solutions in response to global and local challenges.

Employee voice relates to the way in which employees communicate their views about their employment and issues they may have with the employing organisation. Embedding employee voice into organisational culture is essential for sustainable business success.

Creating new employee voice channels reinforces equality in the value of each employee in contributing to innovation. Employee voice is an important source of innovation since it is through the facilitation of voice in a diverse workforce that ideas can be generated and employees are given the opportunity to ensure that those ideas are heard. Developing well-structured channels for accessing employee voice will demonstrate the multinational corporation's commitment to employee voice and will support employees in realising opportunities for collaboration.

Recognition and reward practices

Tracking collaborative behaviours and contributing to innovation is important for recognising and rewarding cross-cultural activities which benefit the organisation. Acknowledging and showing appreciation for contributions from employees will develop the individual, team and organisation as a whole. An individual's contribution, expertise and effort should be recognised and rewarded for effort and for achieving results. This will include:

- **Personal recognition** – for using their expertise, developing their talent and exhibiting positive behaviours.
- **Work performance** – specifically performance linked to creativity, innovation and continuous improvement of processes and practices relating to their work.
- **Quality of contribution** – each employee will add value and so recognition should highlight how their contribution and input is valued by the organisation.
- **Progress** – recognising development and the progress the employee has made both personally and in respect to work projects will make reward meaningful.
- **Results** – delivering the results that the organisation is looking for, both in regard to the target being reached and the way in which the employee completed the task, acknowledges the value the organisation places on work quality and employee contribution.

READING LIST

- Timsal, A. and Awais, M. (2016), "Flexibility or ethical dilemma: an overview of the work from home policies in modern organizations around the world", *Human Resource Management International Digest*, Vol. 24, Issue 7, pp. 12–15. (This article will be available in your online student resources.)
- Interview by Sarah Powell, (2006), "Geert Hofstede: challenges of cultural diversity", *Human Resource Management International Digest*, Vol. 14, Issue 3, pp. 12–15

Summary

In order to understand differences in national cultures a number of cross-cultural models have been developed in academic and practitioner circles; these help IHRM practitioners to navigate cultural perspectives across the globe. Models explored include Hofstede's cultural dimensions, Trompenaars' model of national dimensions and the Lewis Model.

Cross-cultural integration is an important part of IHRM practice to ensure that cross-border operations in multinational corporations avoid conflict because of cultural differences. The key issue that the IHRM function must address is how to develop processes to support cross-cultural integration and cross-cultural management across the organisation.

Globalisation offers the multinational corporation new challenges in regard to developing collaboration and innovation across borders. Considering the cross-cultural needs of employees and leveraging cross-cultural team strengths in order to facilitate knowledge sharing, employee engagement and sustainable reward practices can foster innovation.

Chapter 5

Existing and Emerging Models of HRM within a Global Context

Introduction

This study guide ends with a consideration of the emerging trends in a global context; recent events such as Brexit and mass migration in the world indicate radical political and economic changes in the future and there will be debate on how this affects HRM.

Learning outcome

On completing the chapter, you will be able to:

- 5 Apply existing and emerging models of HRM within a global context and consider the influence of international policy, law and regulation**

Assessment criteria

- 5 Apply existing and emerging models of HRM within a global context and consider the influence of international policy, law and regulation**
 - 5.1 Evaluate globalisation and aligning HR strategy and plans
 - 5.2 Analyse globalisation's innovative and best practices
 - 5.3 Assess the challenges for HRM in the global world

Level 6 Contemporary Developments in Global HRM

Background

Since the 2008 global credit crunch, pressure has been building in many areas of the world. Dramatic political shifts in 2016, such as the decision of the UK to leave the EU, the election of President Donald Trump and the rejection of constitutional reforms in Italy all indicate that there has been a dramatic shift away from consensus and there is an increased risk of **deglobalisation**.

There are a number of geopolitical factors which are contributing to global risks, specifically in regard to social factors such as economic disparity, perceptions of global governance failures, the breakdown of social structures, decline in trust in the establishment and persistent gender inequality.

The rise in populism in the West has highlighted the discontent with the status quo and has increased the urgency for cultivating an understanding of the impact of global risks and developing a coherent response to these risks.



OVER TO YOU

Activity 1: Economic malaise

Despite globalisation delivering historic levels of peace and global prosperity, economic malaise has led to an anti-establishment backlash against globalisation.

How have multinational corporations contributed to discontent with growing income and wealth disparity?

How can multinational corporations contribute to the remedy for the economic malaise?

5.1 Aligning HR strategy and plans

The world is still very much international, and this applies as much to the model of HRM as it does to our technology, ability to travel, and integration of economies or communication. The development of multinational corporations means that permanent changes have been made to traditional approaches to business and, by association, human resource management.

Top-down process versus bottom-up processing

Top-down processing relates to the development of pattern recognition through the use of contextual information. This means that responses to current circumstances are based upon past experience and prior knowledge which are related by the IHRM practitioner to what is happening in a situation in order to infer meaning. In many instances, a top-down process is related to making a best guess or developing a hypothesis about the current situation based upon what we already know. Therefore, understanding about the context in which IHRM is operating is based on a study of what has happened in multinational corporations previously.

In contrast, a **bottom-up processing** approach begins with the current situation and a data-driven response based on the current situation, which is viewed as unique.

Emergent processes as a result of complexity and change within global markets

Emergent processes suggest that the IHRM practitioner adopts strategies that cannot be decided upon at a single point in time or in response to an unexpected change requiring a speedy response. Instead, emergent processes arise from the operation of a number of aligned business and IHRM sub-processes over time. This approach doesn't ignore the need for data analysis or the need for planning, but it does reject the need for making a specific choice that can be considered as permanent. Volatile and dynamic global markets mean that in order to remain competitive it is essential that organisations are able to introduce, manage and successfully negotiate change.

CASE STUDY: OPPORTUNISTIC STRATEGY

Strategic trial-and-error

A multinational organisation has built a strategy based upon the perspective that opportunities for growth are available for those looking for them. In practice this strategy means that business managers within the organisation are constantly reviewing the different markets to identify areas where existing companies are failing to deliver value for money or have become complacent.



The output of the strategy, which continues to emerge, has been a combination of entering new markets, geographical expansion and developing the existing product and service portfolio.

The result

The organisation's brand reputation has resulted in a myriad of business ventures; markets are examined for the opportunity to restructure the market or where the organisation thinks it can gain competitive advantage. There have been some high profile failures, such as a retail product

launched in competition with market dominant companies. The organisation had assumed that there was complacency and soon discovered that some leading global brands were just too powerful to compete against.

Over a forty-year period the organisation has launched over 400 ventures. Some have failed after just a few months and others were profitable for a period of time before falling foul of changes in consumer preferences. However, the **emergent strategy** has allowed the organisation to respond to market changes and sell businesses at the right time to make a profit, transform markets and develop highly profitable enterprises.

The alignment of HR strategy in a global context or bottom-up processing based on local market top-down models

The alignment of HR strategy in a global context is largely concerned with integration of HRM into the global strategy. This requires an external fit with business strategies that have a vertical integration, which links the business strategy, the external environment and HR policies and practices.

There is also a requirement for an internal fit between different aspects of the HR strategy. This horizontal integration of HRM activities ensures compatibility of various HR activities, avoiding policy conflicts. This co-ordination between HR policies and practices promotes consistent and unambiguous direction from HR to management and employees. Within this context, coherence is a criteria that ensures HR strategies and activities are consistent with each other and proposes that the greater the level of horizontal integration the more coherent and effective the HR strategy.

Incremental model (Quinn, 1980)

Quinn (1980)¹⁸ emphasised that an effective multinational strategy will result from an iterative process that leads to a series of logical and incremental steps providing an opportunity for the organisation to experiment with partial commitments rather than risk a major strategic formulation. Such a strategic response will result in a more proactive process of strategy development and responsive organisational design.

Mintzberg's model (Mintzberg, 1987)

Mintzberg (1987)¹⁹ developed the 5Ps of strategy to explain the multiple definitions of organisational strategy.

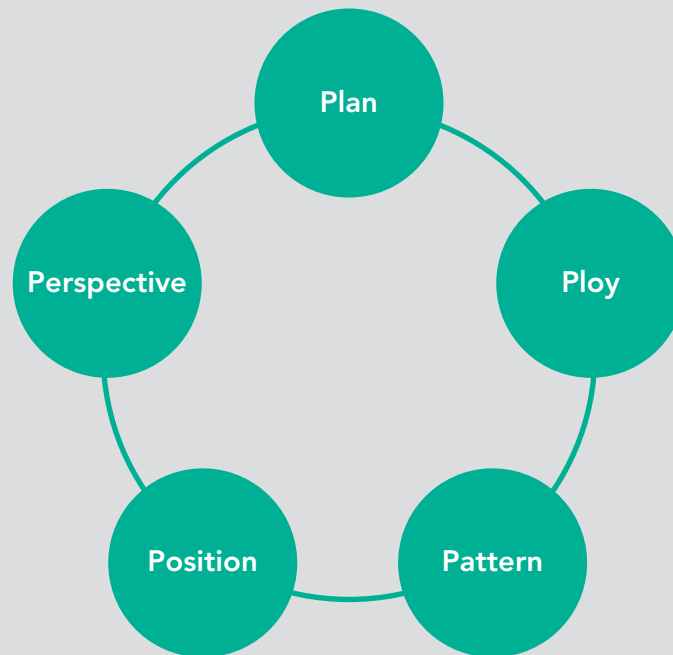
Plan	Strategy is a deliberate plan of action made in advance and developed
Ploy	Strategy is form of subterfuge used to gain competitive advantage
Pattern	Strategy is a consistent pattern of intended actions
Position	Strategy positions the organisation in the internal and external environment
Perspective	Strategy represents the personality of the organisation, uniting individuals behind a particular perspective

Table 1: The 5Ps of strategy



¹⁸ Quin, J.B. (1980), *Strategies for Change: Logical Incrementalism*. Homewood, Illinois: Richard D. Irwin

¹⁹ Mintzberg, H. (1987), "The Strategy Concept I: Five Ps of Strategy", *California Management Review*, Vol. 30, Issue 1, pp. 11–24



Source: Mintzberg (1987)

Figure 1: Mintzberg's Model



OVER TO YOU

Activity 2: Strategic management

Mintzberg identified ten schools of strategy. Research one of the schools of strategy listed below and explain how strategy is formulated using that process.

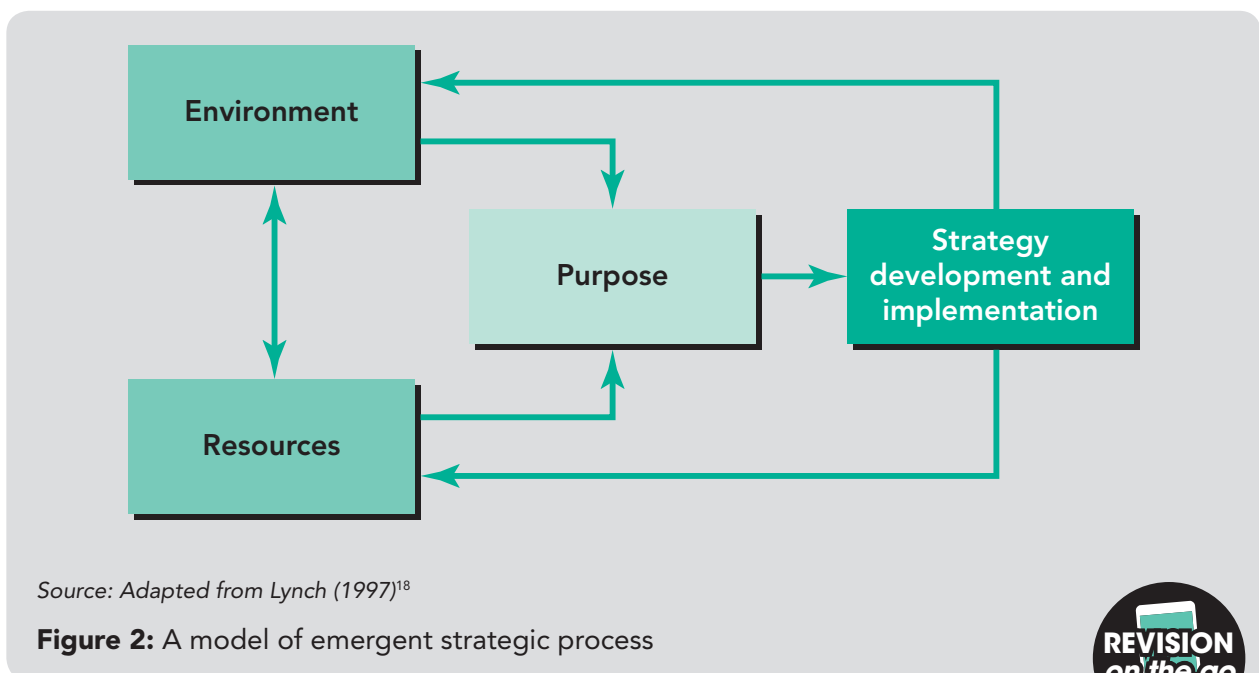
- Design school (a process of conception)
- Planning school (a formal process)
- Entrepreneurial school (a visionary process)
- Cognitive school (a mental process)
- Learning school (an emergent process)
- Power school (a process of negotiation)
- Cultural school (a collective process)
- Environmental school (a reactive process)
- Positioning School (a process of strategy formulation)
- Configuration school (a process of transformation)



Emergent strategies (Lynch, 1997)

An emergent strategy process lacks a fixed objective and offers the organisation a range of possible outcomes depending on contextual developments.

An emergent strategy would begin with an analysis of the environment and the organisational resources. The strategy process is circular, experimenting with different strategic opportunities and learning from their success or failure to feedback into the strategic development process.



¹⁸ Lynch, R.L. (1997), *Corporate Strategy*. London: Pitman

Living strategies (Stern, 2009)

Stern (2009)²¹ identifies the need for organisations to be able to change strategic direction quickly in order to achieve adaptive advantage. This challenges the strategic perspective that it is possible to create a plan based on analysis of past activity and make predictions about the future.

Instead, strategies are based on the organisation responding effectively to the unpredictability of the environment. This is achieved through the following five enablers:

- the ability to process and react to signals from the environment quickly;
- clarity as to how the organisation fits into the wider context;
- capacity to respond to changes in both society and consumer preferences;
- effective experimentation;
- finding and utilising talent.



OVER TO YOU

Activity 3: A living strategy?

Research and critically review the strategy of a multinational organisation with which you are familiar.

How responsive do you believe the organisation's strategy is in adapting to unpredictable events in the business environment? Give reasons for your answer.

5.2 Globalisation's innovative and best practices

Multinational organisations pursue global strategies which attempt to integrate innovative and best practice into organisational models of strategy and structure.

²¹ Stern, S. (2009), "Feel the strategy", *Strategic Direction*, Vol. 25, Issue 4

Evaluating organisational models as a strategy for diagnosis and interventions

Organisational structures can help multinational corporations to deliver the type of global strategy that the organisation needs in order to be successful. Globalisation has led organisations to evolve their structural forms in response to context. Many organisation design models have been developed to provide a framework to achieve organisational strategic objectives.

Traditional and contemporary organisational structures in MNCs

In traditional organisational structures, multinational corporations emphasise control through the development of integrated corporate culture and the establishment of networks to improve information flow. The main framework that emerges is a combination of global integration balanced with local responsiveness. Traditionally this has resulted in the corporate headquarters exercising control over the co-ordination of activities, corporate assets and resources, with all major strategic operational decisions coming from the centre.

Globalisation has reduced the focus on centralisation and instead has led to the development of contemporary structures which focus the value chain on achieving benefits from global, regional and local configurations. The result is a global corporate identity and strong interdependence across the multinational corporation, which is supported by shared technology, strategic information systems, strategic planning, budgets and HR systems.

Static organisation design models

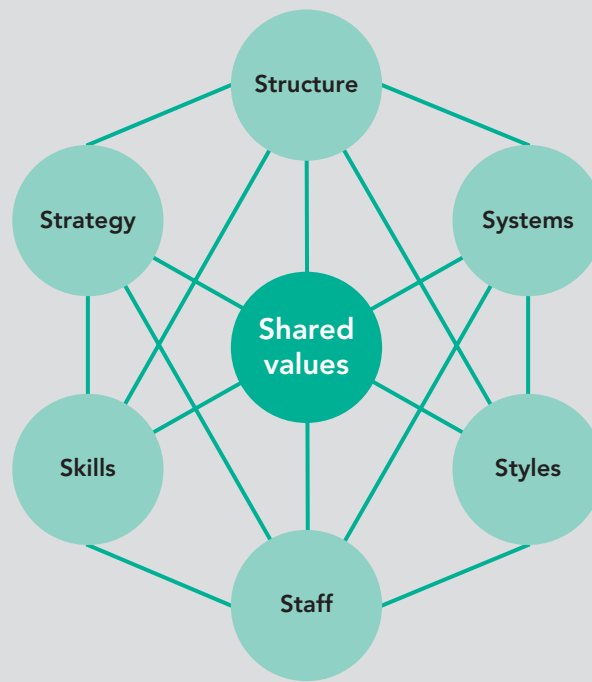
There are a range of factors which influence organisation design; many organisation design models highlight the central role of leadership in co-ordinating other factors, resulting in sustainable organisational performance. Static design models are used to provide a diagnostic framework for organisation design. One such approach is the McKinsey 7S Model (Waterman et al., 1980)²² which describes seven key design areas.

Strategy	An aligned, articulated plan developed by the organisation to achieve competitive advantage
Structure	How the firm is organised in terms of structure, flows of information and reporting lines
Systems	Decision-making processes and procedures which manage how business gets done on a day-to-day basis
Skills	Capability and competency of employees within the organisation that enable it to achieve its strategy
Staff	The workforce plan which will ensure that the organisation is able to recruit, train, manage and reward its employees
Style	The management style of senior managers
Shared values	The core of the model, representing the cultural norms that guide employee behaviour

Table 2: The McKinsey 7S Model's key design areas



²² Waterman Jr., R. H., Peters, T. J., Phillips, J. R. (1980), "Structure is not organization", *Business Horizons*, Vol. 23, pp. 14–26



Source: Adapted from Waterman (1980)

Figure 3: McKinsey 7S Model



CASE STUDY: THE APPLICATION OF THE MCKINSEY 7S FRAMEWORK

The Ithaca Beer Company

For the full case study read the online article: Tracey, J.B. and Blood, B. (2012), "The Ithaca Beer Company: A Case Study of the Application of the McKinsey 7S Framework", *Cornell Hospitality Report*, Vol. 12, Issue 7, pp. 6–13.

The McKinsey 7S model was used to analyse the Ithaca Beer Company's competitive and strategic position. The company is a small, independent craft brewery which is seeking to expand production capacity and to continue its commitment to community involvement and the development of a fun work environment.



Strategy

The company has a clear differentiation strategy, which emphasises local involvement and visibility.

Staff, skills and shared values

It is difficult to delineate between these three factors as they are closely aligned. The company employs fourteen experienced full-time staff who are passionate about the craft beers and who collaborate to help the organisation succeed. The staff share the company belief that people are the most important asset that the company has.

Styles

The work environment is community-orientated and individual behaviour is consistent with consensual decision-making and a strong team bond. Leadership is engaging, information is shared and there is a culture of continuous learning and improvement.

Structure

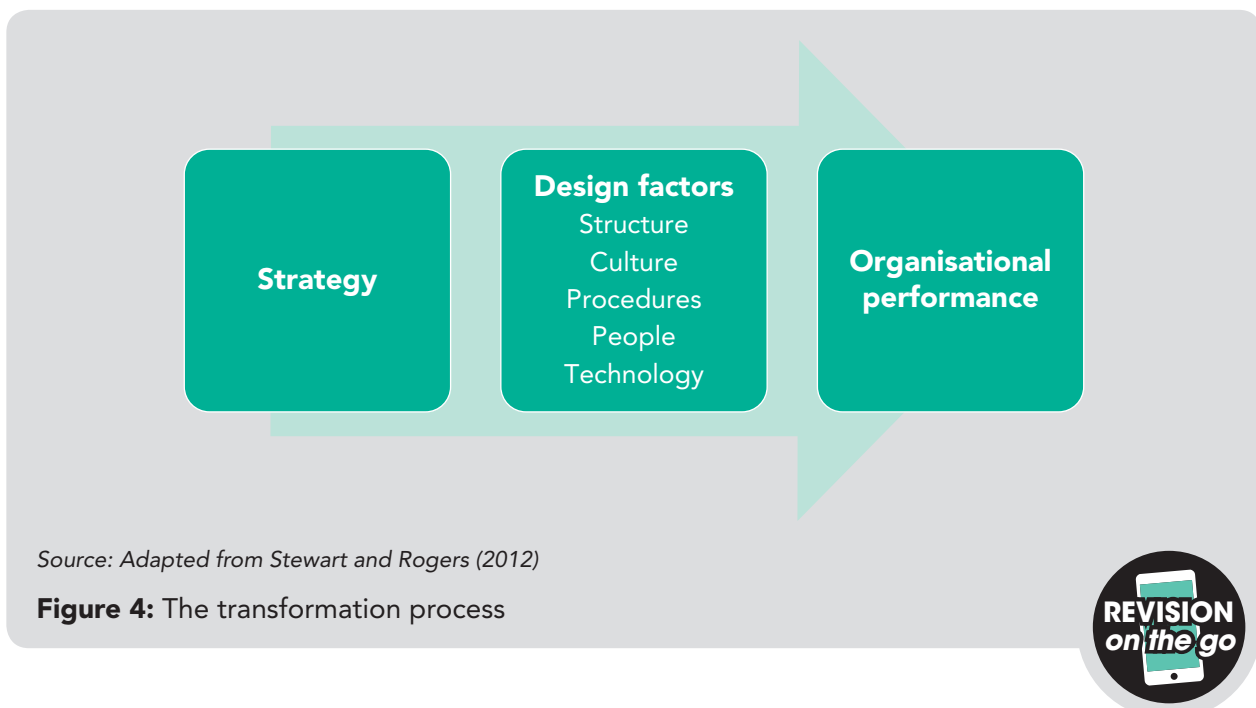
The organisational structure is designed to support co-ordination of effort and to ensure that the group can work closely with distributors and retailers to deliver a constant feedback loop and ongoing exchange of information.

Systems

Most systems within the organisation are informal and exist to help efficiency and to co-ordinate work. However, formal procedures in forecasting product and distribution are in place to ensure that the brewing process is effective and delivers high quality products.

Dynamic models of organisational design

Dynamic models of organisation design approach structure from the perspective of a **transformation process**, which combines a number of factors that need to be co-ordinated.



Organisational strategy is a key input to the transformation process, which results in organisational performance. Dynamic models promote the assessment of the organisation's design in regard to its ability to respond to changes in the external environment. Changes in the external environment will demand a change in the strategy of the organisation. Changing the strategic input will require the organisation to review and make changes to key design factors. An example of this approach is Burke and Litwin's (1992)²³ causal model, which identifies twelve organisational dimensions.

²³ Burke, W.W. and Litwin, G.H (1992), "A Causal Model of Organisation Performance and Change", *Journal of Management*, Vol. 18, Issue 3, pp. 523–545

- 1 **External environment** – external drivers that impact on the organisation.
- 2 **Mission and strategy** – clarity regarding what the managers and employees perceive to be an appropriate strategic response to changes in the external environment.
- 3 **Leadership** – providing direction for the organisation.
- 4 **Organisational culture** – values, customs and formal rules that guide organisational behaviour.
- 5 **Structure** – how the organisation is structured in regard to decision-making, responsibility and flows of communication.
- 6 **Management practices** – how resources are managed within the organisation.
- 7 **Systems** – policies, procedures and systems including performance management, data and management information and planning.
- 8 **Work unit climate** – expectations, attitudes and relationships of colleagues in a specific team or group.
- 9 **Task and individual skills** – knowledge, skills and ability requirements for task effectiveness.
- 10 **Individual needs and values** – job enrichment and satisfaction.
- 11 **Motivation** – levels of staff motivation required to achieve strategic objectives.
- 12 **Individual and organisational performance** – performance levels such as productivity, customer satisfaction and quality.

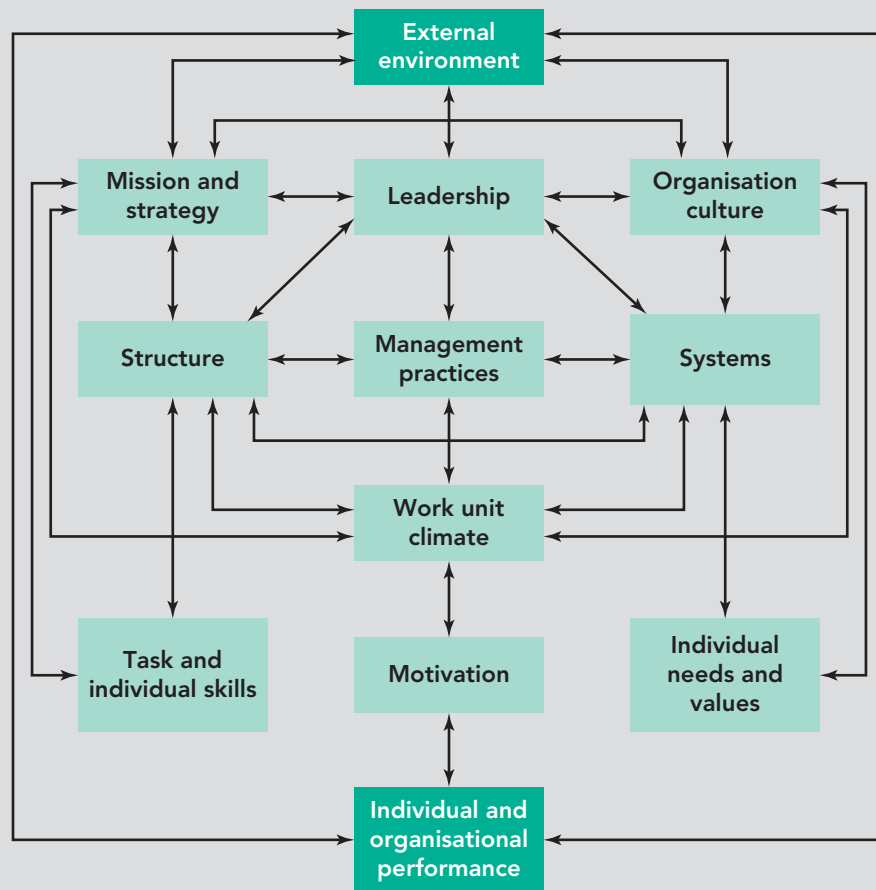
The model focuses on how the different dimensions influence each other and link with each other and it examines the effect of the external business environment. The model is used to explain organisational dynamics and shows cause-and-effect relationships for diagnostic and planning purposes.



OVER TO YOU

Activity 4: Burke–Litwin Causal Model

Given that dynamic models of organisation design promote the perspective that change is inevitable, explain how the Burke–Litwin model can be used to diagnose an organisation's need for change.



Source: Adapted from Burke-Litwin (1992)

Figure 5: Burke-Litwin causal model



Ecological models of organisational design

This diagrammatic approach to organisational design views each organisation's existence as being within, and being influenced by, the specific environmental context in which it operates. The organisation itself also influences the environment in which it operates in a symbiotic relationship, for example organisational impacts on the environment, society and institutions such as education. Where organisations are a dominant employer in a locality, towns can become associated with the built environment, such as the mining company town Kiruna in Sweden, where the whole town was built by the company. Lobbying activity by organisations also influences the wider legislative environment of the country in which they operate. This may be as a result of directly employing lobbyists or may be through the development of trade associations. Examples of **ecological views** of organisations include the fractal web (McMillan, 2000)²⁴ and the holonic enterprise (Ulieru et al., 2002)²⁵.

The fractal web is based upon a natural circulatory system which has an irregular shape but is self-organising, interconnected and open to the environment. Employees respond to situational events supported by a guiding set of values and the organisation design is such that it enables energy, ideas and information to flow throughout the organisation to respond to appropriately. The holistic organisational design of the fractal web is based on the complexity paradigm and

²⁴ McMillan, E. (2000), *Considering Organisation Structure and Design from a Complexity Paradigm Perspective*. Milton Keynes: Open University

²⁵ Ulieru, M. Brennan, R.W. and Walker, S.S. (2002), "The holonic enterprise: a model for Internet-enabled global manufacturing supply chain and workflow management", *Integrated Manufacturing Systems*, Vol. 13, Issue 8, pp. 538-550

relies on a continuous flow of essential nutrients to support the health of the organisation. The fractal web is supported by three main “arteries”, which are linked to the external environment and each other to support the “heart” of the organisation.

- 1 **Purpose artery** – overall sense of direction.
- 2 **Ethos and values artery** – aligned values and principles.
- 3 **Intelligence artery** – flow of energy and matter.

This form of self-organisation is described as the formation of interest groups concerning certain issues. The interest groups communicate about the issues and co-operate to form a consensus about these issues.

The holonic enterprise (Ulieru et al. 2002) is an e-business model. A **holon entity** is simultaneously autonomous and co-operative and capable of balancing contradictory forces. In the modern global economy it is both a whole organisation and a part of a cluster of organisations within a complex system, for example a motor parts manufacturer exists as an enterprise in its own right, but also in a cluster of holonic enterprises as part of a car manufacturer’s supply chain. There are three levels to a holonic enterprise.

- 1 **Global intra-enterprise collaborative level** – a cluster of several holon enterprises work together to produce products or services.
- 2 **Intra-enterprise level** – the enterprise takes responsibility for the element of work it has been assigned, ensuring that it uses its resources to deliver the task on time.
- 3 **Machine (physical agent) level** – the distribution of physical machinery, automation and agile manufacturing to perform the work.



OVER TO YOU

Activity 5: Part of a system

**Consider the organisation design models which have been presented to you. Critically analyse the organisation design of a multinational organisation with which you are familiar. What organisation design model most closely explains the design of the multinational organisation?
How would adopting a different design help the organisation to become more innovative?
Give reasons for your answer.**

Innovation and best practices

There is a complex relationship between globalisation, innovation and best practice. The network of ideas, business practices and knowledge is bought together in a complex exchange of responding to the needs of customers and creating value for organisations. The interchange between different countries is essential to innovation, restructuring and integration in the global economy.

Global partnering

Global partnering describes a situation whereby multinational corporations, institutions and organisations in different parts of the world work together to achieve a common goal. These partnering initiatives are voluntary and can be led by different participants in the global dynamic. For example, the Paris agreement came from national governments, charity foundations, interest groups and private sector organisations working together to devise an agreement which is based on key principles linked to climate change.

Global partnering arrangements are often used to test new approaches, or research particular practices, to generate the evidence needed to prove an innovation. For example, the Human Genome Project was a global scientific research project, which resulted in the sequencing of the human genome leading to the development of numerous innovations regarding the way to treat, cure and prevent diseases. Solutions for global partnering can be implemented and result in policy development, innovative business solutions and learning. In HR there are a number of bodies which run HR excellence or global HR summits to bring HR professionals and thought leaders from around the world together to share new thinking, research evidence and HR practices.

Sharing of ideas and working with interested parties across the world can help open up lines of communication to develop new ideas and speed up the spread of innovative practices. Global partnering has become more prevalent with the development of information technology that allows the sharing of information across borders and reduces the barriers of distance and time.

Global process technology

A global process is the interaction between two or more multinational corporations which captures the allowed interactions between all partners. Process technology is the use of technology in manufacturing, specifically the continuous improvement and efficiency of process methods. Based on integrated process design, the focus may be on improving product design, engineering advancement and manufacturing process development. The outcomes of global process technology may lead to developments in packing and distribution, marketing, research and development, or manufacturing methods.

World class manufacturing solutions

World class manufacturing refers to a specific goal of a multinational corporation achieving and sustaining competitive advantage through manufacturing excellence delivered by best practice. The term "world class manufacturing" is defined as the goal of continual improvement in lead time, cost, quality and customer service.

The competitive pressure on multinational corporations as a result of globalisation requires organisations to continually innovate in order to improve their product quality and customer service whilst driving efficiency and reducing cost in the manufacture of products and delivery of services. Examples include the development of just-in-time (JIT) production techniques, workforce

improvement programmes and overall quality improvement programmes. Kinni (1996)²⁶ suggested that there were three core strategies by which world class manufacturing could be achieved; customer focus, quality and agility, which were supported by six key competencies; employee involvement, supply management, technology, product development, environmental responsibility and employee safety, and corporate citizenship.



OVER TO YOU

Activity 6: World class manufacturing

How can employee involvement help multinational corporations to deliver just-in-time production techniques? Give reasons for your answer.

5.3 The challenges for HRM in the global world

The changing workforce and the shifts in the nature of work itself present many challenges for HRM if they are to successfully navigate the economic, political, demographic, technological and social changes occurring across the world.

Economic growth and disturbance in the world

The World Bank's Global Economic Prospects paper, released in early 2017, highlighted that forecasts for global growth had failed to be met every year since 2011 and the lower than expected economic performance by the USA, coupled with the recession, had reduced world economy expansion to 2.3% in 2016, a 0.4% drop from 2015.

Brexit

The decision by the UK electorate to exit the European Union in June 2016 has created a significant level of uncertainty around the world's fifth largest economy. The immediate aftermath of the unexpected referendum result saw a significant drop in the value of the currency and a sharp reduction in growth forecasts for the UK. The continuing uncertainty and animosity of the Brexit negotiations are having a significant impact on confidence levels. From an HRM perspective, political uncertainty is leading to fears that the push for a "hard Brexit" which would likely see the UK give up full access of the customs union along with the EU as well as complete access to the single market; instead, the priority would be regaining full control over Britain's borders, making new laws trade deals within the UK itself. This will create significant issues in regard to talent

²⁶ Kinni, T.B. (1996), *America's Best: Industry Week's Guide to World-Class Manufacturing Plants*. New York: Wiley & Sons

shortages, retention of non-domestic staff, offshoring arrangements, the trade relationship with Europe and organisation office relocation out of the UK.

The greatest HRM concern from Brexit is in relation to recruitment and retention. With Brexit negotiations underway, organisations are already experiencing staff turnover with EU nationals seeking certainty about their immediate future, cautiousness from candidates relocating to the UK and organisations delaying recruitment decisions. These factors are impacting the recruitment of senior and skilled employees and are creating recruitment gaps in hard-to-fill vacancies. Talent management has moved to a focus on retention of talent rather than recruitment, with HRM practitioners in multinational corporations having to develop contingency plans for the redeployment of key talent to subsidiaries outside of the UK.

Migration

Labour migration across borders has significant economic benefits for domestic economies and from an HRM perspective it increases workforce availability, supports mobility of talent to close skills gaps and increases domestic education standards. Relative to population size Qatar, Morocco and the United Arab Emirates have experienced significant levels of migration, especially from countries in the Asia-Pacific region. However, there has been a significant push back against migration in developed nations due to the prevalence of a nationalistic protectionism, the overwhelming flow of migrants from areas of conflict (especially towards the EU) and the threat of terrorism from nationals coming from those same conflict zones.

However, from an HRM perspective, migration offers an opportunity for multinational corporations to attract and recruit employees from across the globe, increasing the size of the available talent pool. The restrictions put on freedom of travel in both the EU and the USA are complicating global talent searches and increasing the difficulty of filling vacancies. Managing the variety of immigration rules, visa restrictions, regulations relating to the recruitment of migrants and expatriate programmes are all significant HRM challenges.

Another key challenge relating to the management of migration from an HRM perspective is the issue of diversity and multiculturalism. An increasingly mobile workforce means that diversity management and the management of multinational and multilingual work environments require the IHRM practitioner to be well versed in managing interpersonal conflict and communication issues and reducing discrimination on the grounds of race, sex and age to protect migrant rights in the workplace.



OVER TO YOU

Activity 7: Migration

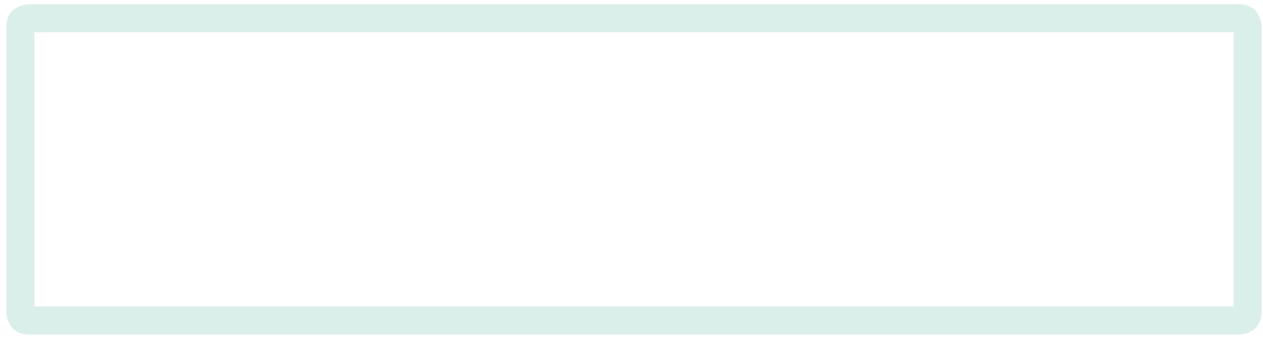
Research the history of labour migration trends in your country.

What were the economic factors contributing to the labour migration changes?

How has labour migration affected the economic development of your country in the last decade?

For example: see the article "Gulf Labour Markets and Migration, Demography, migration and the Labour Market in the UAE" at:

http://cadmus.eui.eu/bitstream/handle/1814/36375/GLMM_ExpNote_07_2015.pdf



Generation X, Y and Z changing global landscape and its impact upon HRM strategy

The changing composition of workforce demographics is exacerbating recruitment challenges in key strategic roles and technical and engineering roles, while the lack of soft skills required to navigate complex global business environments is limiting expansion in multinational corporations. A huge challenge when developing HRM strategies is the composition of the workforce which today employs a range of generations, with an age range between 18 and 80. The generations are labelled as:

- Veterans (1939–1947);
- Baby Boomers (1948–1964);
- Generation X (1965–1979);
- Generation Y/Millennials (1980–1997);
- Generation Z (1998 onwards).

Key issues that impact upon HRM include:

- negative stereotyping, e.g. snowflake Millennials;
- the number of baby boomers retiring, leaving a knowledge and experience gap;
- declining employee benefits, especially workplace pensions, leading to resentment of Baby Boomers who are the last workforce generation of which a significant proportion will enjoy defined benefit pension schemes;
- the low organisational loyalty of Generation Y workers, who are often accused of having an overbearing sense of entitlement, impacting retention;
- a desire for greater levels of community involvement and the expectation that corporate activities will have a positive social impact on the world;
- the pursuit of work–life balance by Generation X is being replaced with a work–life integration of Generation Y and Generation Z wanting flexible schedules and telecommuting;
- thinking digitally and using technology to problem solve with Generation Z being digital natives having never known life without technology. However, there is an increasing preference for traditional forms of communication;
- increasing tolerance of diversity;
- entrepreneurialism among Generation Z, with 72% of them planning to start their own business;
- desire for increased levels of project work, involvement in creating projects of their own and multi-tasking;
- a large percentage (71%) of Generation Y workers want an overseas assignment during their career;

- Generation Z prioritise career advancement over money, requiring clarity of promotion routes;
- the need for freedom from micro-management requires job role design that allows for greater levels of autonomy.

OVER TO YOU

Activity 8: My generation

Identify which generation you belong to. Conduct research to understand the characteristics associated with that generation.

How much do you identify with the description of your workplace generation? Give reasons for your answer.

For example: see the article "Leading the Four Generations at Work" on: www.amanet.org/training/articles/leading-the-four-generations-at-work.aspx

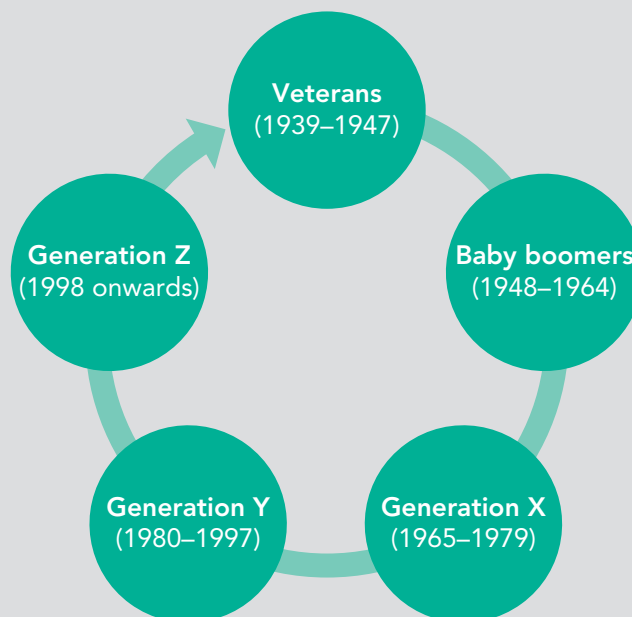


Figure 6: Workforce generations



Growth of technology in relation to HR systems

Many HRM functions already operate using an HR information system, and are developing their capability to use HR analytics for workforce planning. The rapid changes in technology in relation to HR systems are enabling HR to move away from the administration burden that has been identified as a barrier to successfully developing the HR function as a strategic function.

Technology platforms enable HR to digitise many HR processes and give access to the development of data analytics and decisions based upon “big data”. Moving away from paper-based employee files means that HR can access an instant picture of the current workforce within the organisation and manipulate data to understand workforce trends to manage risks, for example identifying training needs or areas where absence or turnover is causing operational issues.

Technology is also impacting areas such as recruitment, employee relations and training and development. Social media is providing new strategies for HRM to gain access to talent pools and identify individuals with the skills and experience required. Technology is aiding the recruitment process in regard to candidate screening, assessment, and even induction support. Employee communication methods are now at the HRM practitioners’ fingertips and it is easy to establish channels of communication regardless of where in the world an employee is working. Online portals and the growth of mobile technology are changing work practices as the technology available makes it easier for employees to work flexibly and telecommute. This enables HR to be more flexible in designing work around individual needs. Finally, the assessment of skills, access to training records, creation of training programs and encouragement of employees to drive their own personal development are all being enabled by online training technology platforms.

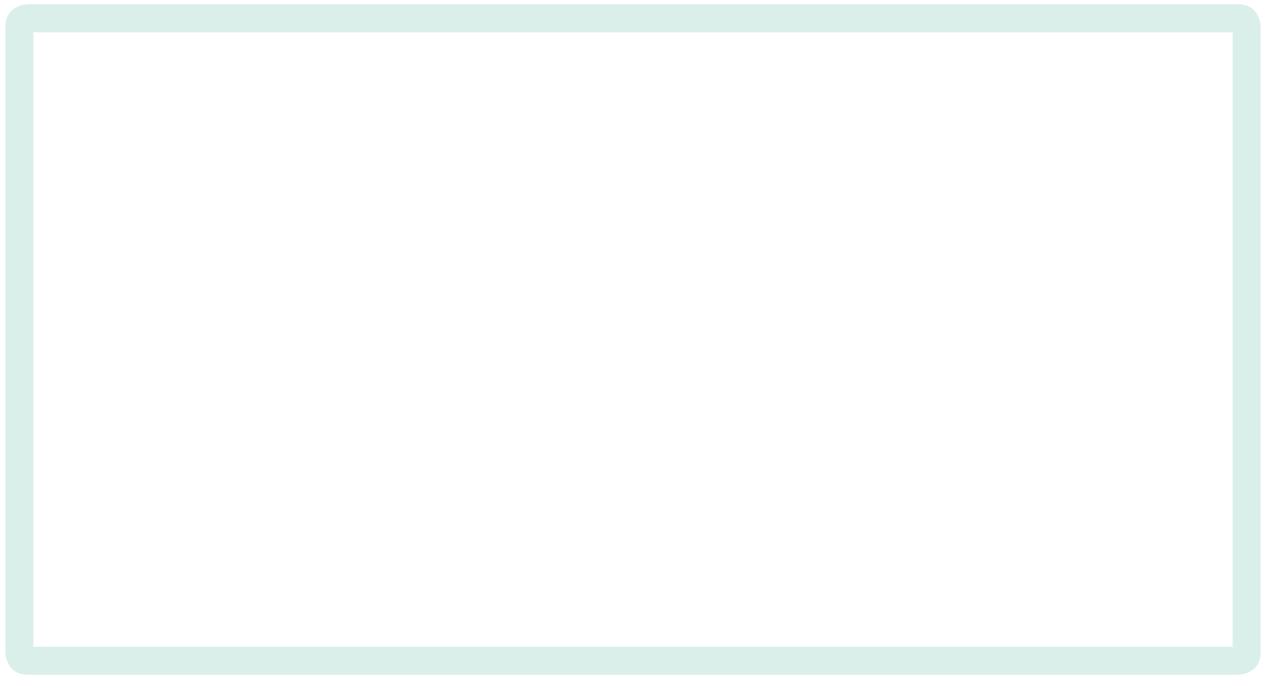


OVER TO YOU

Activity 9: Predictive analytics in Human Resources

Read the article by Erik van Vulpen, “Predictive Analytics in Human Resources” at: www.analyticsinhr.com/blog/predictive-analytics-human-resources

Consider a multinational corporation with which you are familiar. How would HR predictive analytics help the HR function in the organisation develop as a strategic partner? Give reasons for your answer.



READING LIST

- Friedrich, R. Peterson, M, Koster, A. and Blum, S. (2010), *The rise of Generation C: Implications for the world of 2020*. Originally published by Booz & Company. Retrieved from: www.strategyand.pwc.com/reports/rise-generation-implications-world-2020 [Accessed on 18 October 2017]
- Hopper, T. Jazayeri, M. and Westrup, C. (2008), "World class manufacturing and accountability: How companies and the state aspire to competitiveness", *Journal of Accounting & Organizational Change*, Vol. 4, Issue 2, pp. 97–135. (This article will be available in your online student resources.)

Summary

Since the 2008 credit crunch, pressure has been building in many areas of the world. Dramatic political shifts in 2016, such as the decision of the UK to leave the EU, the election of President Donald Trump and the rejection of constitutional reforms in Italy, indicate that there has been a dramatic shift away from consensus and there is now an increased risk of deglobalisation.

The development of multinational corporations means that permanent changes have been made to traditional approaches to business and, by association, human resource management.

Organisational structures can help the multinational corporations to deliver the type of global strategy that the organisation needs in order to be successful. Globalisation has led organisations to evolve their structural forms in response to context. Many organisation design models have been developed to provide a framework to achieve organisational strategic objectives.

The changing workforce and the shifts in the nature of work itself present many challenges for HRM if they are to successfully navigate the economic, political, demographic, technological and social changes occurring across the world.

Glossary

Artefacts Visible signs of the culture which can be observed, such as strategy documents, goals and targets, organisational design and processes.

Bottom-up processing A data-driven response to situational changes based on the current situation, which is viewed as unique.

Brexit British exit from the European Union.

Burnout Physical and emotional exhaustion.

Convergence HRM policies and practices which can transfer across borders and work equally well regardless of the country in which an organisation is operating.

Cross-pollinating Transferring or interchanging knowledge which is mutually beneficial.

Cross-cultural integration A process which blends the best practices of the host and home country.

Culture Ideas, customs and practices that form the basis of social behaviour within an organisation.

Deindustrialisation The reduction of industrial activity.

Deglobalisation The process of reversing or decreasing interdependence and integration among different nations.

Deregulation The removal of regulations.

Destratification The elimination of layers.

Diffusion The reasons why, and speed within which, innovations spread through a group.

Divergence The need to adapt HRM systems to accommodate differences based upon the organisational internal and external factors.

Due diligence Taking time to understand the internal and external dynamics of the target organisation and examining hard data relating to the financial, strategic and competitive health of that organisation.

Ecological views An organisation design approach which views each organisation's existence as being within, and being influenced by, the specific environmental context in which it operates.

Emergent strategy A circular strategic process experimenting with different strategic opportunities and learning from their success or failure to feed back into the strategic development process.

Ethnocentric Fundamental decisions made in headquarters with little autonomy allowed in foreign subsidiaries. Expatriates are likely to perform as managers in subsidiaries.

Expatriates People who live and work outside of their home countries.

Geocentric An organisation run as a global organisation with integration and interdependency between headquarters and foreign subsidiaries run by worldwide talent pool of international managers.

Global value chains The different stages of the production process or organisational activities which are carried out and co-ordinated across borders.

Globalisation Expanding the trade of goods and services between different countries, including the development of internationally recognised brands, the development of production and support services, and outsourcing and offshoring where specific elements of an organisation are distributed globally where it is most economically advantageous to the organisation.

Holon entity An e-business model whereby an organisation is simultaneously autonomous and co-operative and capable of balancing contradictory forces.

Homogeneity Being the same.

Human capital The skills that are acquired by employees through training and development opportunities.

Imperial capitalism Colonisation through financial capital investment.

Institutions Organisations which have an official role to play within a country, for example, public utilities, education establishments, financial bodies, trade unions, public enterprises and agencies of the government.

Migration Movement of labour across borders.

Multinational corporations (MNCs)
Organisations with offices and assets across borders.

Multinational enterprises (MNEs)
Enterprises with offices and assets across borders.

Neo-liberal Liberalism of markets associated with free market capitalism.

Onshore-reshore Transferring business operations back to the home country.

Organisational actors People whose identities are characterised by their roles within the organisation.

Polycentric Managed by the home country nation, subsidiaries are treated as independent entities and enjoy considerable autonomy, although this may lead to isolation from headquarters.

Psychological contract Unwritten set of expectations between employer and employee.

Regiocentric Interconnection between subsidiaries, regulated by regional centre. Regions may operate as polycentric or geocentric.

Sub-cultures Cultural groups within a larger culture.

Top-down processing The development of pattern recognition through the use of contextual information.

Transformation process A process which adds values to inputs and provides outputs for the organisation.

Transnational Operating across borders.

Universalist Universal in nature or character.