CHAPTER 2

GLOBALIZATION AND HUMAN RESOURCE MANAGEMENT

Ronald R. Sims

The environment in which today’s organizations find themselves continues to be more globalized as the world is becoming a “global village.” This globalization is driven in part by continued growth in multinational investment to include more and more companies entering into alliances with foreign companies, exporting their products overseas, and building plants in other countries. All of the human resource management (HRM) challenges, issues and opportunities discussed in previous chapters in this book are interrelated conceptually and operationally in the international context.

This chapter discusses a number of the HRM challenges, issues and opportunities HRM professionals and their organizations will need to address in today’s and tomorrow’s global world of work. The chapter first takes a look at today’s global organization and some HRM issues. Next, the discussion turns to the globalization of business and factors affecting HRM in global markets before focusing on an analysis of levels of global or international and HRM operations. Finally, the chapter discusses globalization and implications and impacts on HRM in the future.
TODAY’S GLOBAL ORGANIZATION AND HUMAN RESOURCE MANAGEMENT ISSUES

For the past decades, there have been profound changes in the international business scene. With geographic national borders being almost replaced by multinational firms, and a heightened level of labor mobility around the globe, the implication of HRM to design and develop firms’ global business strategy, and to direct individuals (i.e. managers and professional staff alike) for working in different countries, is undoubtedly significant. Rosalie Tung (2016) has recently suggested that in the past three decades or so, globalization/regionalization, migration and reverse migration (also referred to as “brain circulation”), the ascendancy of emerging markets, the demand for people with a global mindset, and the worldwide war for talent have brought about fundamental changes to the nature, magnitude, and raison d’etre for HRM in a global context. And, that these changes require HRM professionals and their organizations to adopt new lenses to fully understand the dynamics that impact global or international human resource management policies and practices.

Organizations are attempting to gain competitive advantage, which can be provided by international expansion as these countries are new markets with large numbers of potential customers. For example, organizations that are producing below their capacity can use expansion to possibly increase sales and profits. Still other organizations are building production facilities in other countries as a means of capitalizing on those countries’ lower labor costs for relatively unskilled jobs.

Importing and exporting goods and services is the easiest way to “go global.” India has the world’s second-largest population (1.2 billion people) and a growing middle class, so businesses are increasingly trying to expand their exports to that country (U.S. News & World Report, 2016). According to Snell and Morris (2019), Apple is one of those companies. Although the iPhone dominates the U.S. market, only 5 percent of smartphones in India are iPhone. Partnerships, mergers and takeovers are other ways companies are addressing globalization.

The reality is that most organizations now function in the global economy. For example, U.S. businesses are entering international markets at the same time that foreign companies are entering the U.S. market. Consider the reality that many American and foreign firms have partnered with Chinese firms to expand in China, which is the world’s most populous country, with 1.3 billion people. In turn, cross-border mergers continue to increase (Noe, Hollenbeck, Gerhart & Wright, 2019; Shen, 2016) as Chinese and other foreign companies are merging with American firms (Sheng, 2016). Consider also that it has been suggested that globalization is the dominant driving force in the world economy, reshaping societies and politics as it changes lives (Cascio, 2019).

Globalization has also resulted in the blurring of national identities of products. Many may think of Budweiser as an American beer, but its maker (Anheuser-Busch) is owned by a Belgian company called InBev. Like many other companies, Anheuser-Busch InBev has been purchasing or partnering with factories and
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brands in other countries such as China and Mexico to expand its sales. Similarly, BMW is a German brand, but the automaker builds cars in the United States, China and elsewhere (Choi & Schreiner, 2014; Duprey, 2013; Snell & Morris, 2019).

Giant multinational corporations such as Nestlé, Unilever, and AstraZeneca, began to lose their national identities as they integrated and coordinated product design, manufacturing, sales, and services on a worldwide basis. Further, many other U.S. firms, for example, generate a substantial portion of their sales and profits from other countries; companies such as Coca-Cola, Exxon/Mobil, and Microsoft derive a significant portion of total sales and profits from outside the United States (Dewhurst, Harris & Heywood, 2012). In 1982 GE, for example, generated 20 percent of its sales outside the United States and 70 percent in 2017 (Mann & Spegele, 2017). Many foreign organizations have taken advantage of growth opportunities in the United States. For example, Toyota, based in Japan, has grown its market share and increased its number of jobs in the United States and elsewhere in North America. Also, Toyota, Honda, Nissan, and other Japanese automobile manufacturers, electronic firms, and suppliers have maintained operations in the United States (Mathis, Jackson, Valentine, & Meglich, 2017).

Higginbottom (2017) has recently argued that these are indeed “uncertain times” (i.e., for global (and local) organizations and HRM professionals). The last several years have played host to seismic political events such as Brexit and the election of Donald Trump as the U.S. president in 2016. The acronym VUCA which stands for volatility, uncertainty, complexity and ambiguity is a trendy management term that perfectly encapsulates the conditions that many multinationals are operating under.

Brexit, for example, which stemmed from a slim majority of U.K. voters deciding in a June 23, 2016 referendum, that they no longer wanted to be governed largely from a bureaucracy located in Brussels, Belgium, continues to pose a serious threat to the European Union. The EU and Britain are currently negotiating the terms of their separation which will have major implications for global businesses and many observers predict that, at least in the short term, this exit will have a negative impact on the British economy (see, Amadeo, 2018a; Partington, 2018; Romei, 2018).

Numerous free-trade agreements forged between nations over the past 60 years, like the General Agreement on Tariffs and Trade (GATT) in 1948 and the North American Free Trade Agreement (NAFTA) in 1994, helped quicken the pace of globalization. However, the election of Donald Trump as president of the U.S. in 2016 has created uncertainty for organizations making their location decisions in his efforts to renegotiate, for example, NAFTA which is the world’s largest free trade agreement. In an effort to keep companies from moving production outside the United States, Trump announced a 35 percent tariff on steel and a 10 percent tariff on aluminum on Canada, Mexico and the EU. President Trump campaigned on renegotiating NAFTA and frequently berated companies seeking
to build plants in Mexico, for example, particularly when it entails closing plants in the United States (see Amadeo, 2018b; Stoll & Colias, 2016).

While factors like Berxit and the election of Trump as the U.S. president are impacting globalization, perhaps none is more important that the rise of Internet technologies (Dreyfuss, 2017; Quora, 2017; Sato, 2014). The Internet, as it continues to develop, has certainly changed the ways that people live and work. Indeed, in some industries, such as music and e-commerce, it has completely revolutionized the rules of the game (Cascio, 2019).

The Internet gives everyone in the organization, at any level and in every functional areas, the ability to access a mind-boggling array of information-instantaneously from anywhere. Ideas can be zapped around the globe in the blink of an eye instead of seeping out over month or years. A global marketplace has been created by factors such as the following:

- Global telecommunications enhanced by fiber optics, satellites, and computer technology.
- E-commerce that makes organizations global from the moment their Web sites are up and running, as customers from around the world log on.
- Financial markets are now open 24 hours a day around the world (Lioudis, 2018).
- Cost pressures (that prod firms to move where labor and other resources are cheapest), coupled with a search for new markets (as firms and consumers around the world seek foreign goods and services).
- The integration of cultures and values through international travel, as well as the spread of goods such as music, food, and clothing. In combination, these have led to common consumer demands around the world (Tariq, Briscoe, & Schuler, 2016).
- The emergence of global standards and regulations for trade, commerce, finance, products, and services (Gunther, 2005).

The rapid increase in telecommunications and information technology enables work to be done more rapidly, efficiently, and effectively all over the world. Friedman (2016 has suggested that an expanding high-tech, information-based economy increasingly defines globalization and shapes the business cycles within it. That is, much of the flow of capital, labor, services, and goods among Asia, America and Europe are technology based. Without chips, screens, and software help from Asia, the U.S. economy would grind to a halt. Clearly, open borders continue to allow new ideas and technology to flow freely around the globe, accelerating productivity growth and allowing businesses to be more competitive than they have been in past decades.
Globalization and HRM

Due to globalization, companies have to balance a complicated set of issues related to different geographies, including different cultures, employment laws, and business practices, and the safety of employees and facilities abroad. HRM issues underlie each of these and other concerns. They include such things as dealing with employees today and tomorrow who, via the Internet and social media, are better informed about global job opportunities and are willing to pursue them, even if it means working for competing companies or foreign companies. Determining the knowledge and skill base of workers worldwide and figuring out how best to hire and train them (sometimes with materials that must be translated into a number of different languages) is also an issue for companies in the global environment.

There is every indication that the recent social and political changes have contributed to globalization and the movement toward international competition. Despite the reasons an organization may have for expanding operations globally, HRM is critical to the success of any global initiative. If one adopts the basic principle that HRM strategy must be derived from corporate strategy and that people do determine an organization’s success or failure, then the HRM function needs to be a key strategic partner in any global operations. Still, in some instances HRM is often neglected in the planning and establishment of global endeavors. Despite such neglect, today’s and tomorrow’s HRM professionals must continue to develop their own and other organizational members competencies or skills in the ever-growing international context of the world of work. This means not only understanding the events and factors that continue to increase the global nature of business but also their role in helping to improve their organization’s competitive advantage in global environments.

UNDERSTANDING THE GLOBAL ENVIRONMENT

It is important for HRM professionals to continue to recognize that because political, economic, social and technological conditions are constantly shifting around the world, how employees are managed in those changing environments will need to shift as well. HRM professionals can better understand the global environment by regularly conducting a political, economic, sociocultural, and technological (PEST) analysis which can act as an audit of a company’s environmental influences to assist in determining the corporate strategy and accompanying HRM response(s) (see, for example, Post, 2017; Snell & Morris, 2019).

By conducting a PEST analysis HRM professionals and other organizational leaders are able to scan different contextual environments to understand the long-term trends and how they might impact a company. A PEST analysis can help HRM professionals to 1) spot business or human resource opportunities, and give them advanced warning of threats, 2) identify trends in the business environment so they can proactively adapt to these changes, 3) help to avoid implementing
HRM practices in a particular country where they may fail, and 4) put an end to old habits and assumptions about how people should be managed to help bring about innovative ideas for the entire organization.

**Political Factors**

Government regulations and legal issues affect a company’s ability to be profitable and successful, and this factor looks at how that can happen. Issues that must be considered include tax guidelines, copyright and property law enforcement, political stability, trade regulations, social and environmental policy, employment laws and safety regulations. Companies should also consider their local and federal power structure and discuss how anticipated shifts in power could affect their business.

HRM professionals can assess the political factors by examining a country’s labor laws, property rights, and patents. When Lincoln Electric, the Ohio-based welding company, for example, started operations in Brazil, they could not offer their yearly bonus program based on performance because any bonuses paid for two consecutive years became a legal entitlement (Siegel & Larson, 2009).

Property rights in many countries are poorly protected by governments. Whoever has the political power or authority can seize others’ property with few or no repercussions. Civil unrest can also lead to the poor enforcement of property rights. Businesses have less incentive to invest in countries or locate factories in countries experiencing strife. Another issue that has implications for global companies relates to the intellectual property rights—rights related to patents, trademarks, and so forth.

**Economic Factors**

This factor examines the outside economic issues that can play a role in a company’s success. Items for HRM professionals and other organizational members to consider include economic growth, exchange, inflation and interest rates, economic stability, anticipated shifts in commodity and resource costs, unemployment policies, credit availability, unemployment policies, and the business cycle followed in the country.

By looking at trends around market and trade cycles, specific industry changes, customer preferences, and country economic growth forecasts HRM professionals and other organizational members can best understand the economic issues that are bound to have an impact on the company. For example, in 1995, the World Trade Organization (WTO) was formalized as a cooperative forum for country leaders to come together and increase free trade across the world. As of December 2017, the WTO member countries represented over 164 member-nations and covered 97 percent of all international trade (Amadeo, 2018c). In addition, countries are continually negotiating free trade agreements with each other in hopes of increasing their economic activity.
Since China joined the WTO in 2001, its economy has grown dramatically, drastically altering its political and trading relationship with many nations. In a strange twist of fate, Xi Jinping, the leader of the communist world and China’s president, has taken to defending free trade and globalization, whereas U.S. president Donald Trump, leader of the free world, has taken to attacking them as noted previously (Elliott & Wearden, 2017).

**Sociocultural Factors**

The sociocultural factor analyzes the demographic and cultural aspects of the company’s market. These factors help companies examine consumer needs and determine what pushes them to make purchases. Among the items that should be examined are communications, religion, values and ideologies, education, social structure, demographics, population growth rates, age distribution, cultural limitations, lifestyle attitude, attitudes towards work and job market trends.

An understanding of sociocultural factors has important implications when it comes to a company’s decision about when and how to do business in a country. For example, because of low labor costs and language similarities, many U.S. businesses have found India an attractive place to locate their facilities, particularly call centers.

By recognizing and accommodating different ideologies, religious beliefs, communication styles, education systems, and social structures, HRM professionals and other organizational members stand a better chance of understanding the culture of a host country—a country in which an international business operates. Even in countries that have close language or cultural links, HRM practices can be dramatically different. For example, employers might be expected to provide employees with meals while at work and transportation between home and work. In most of the Islamic Middle East, it is completely acceptable to ask coworkers very personal questions about their children, especially their sons, but never about their wives (Tulshyan, 2010; Vollmer, 2015).

**Technological Factors**

Technology issues affect how an organization delivers its product or service to the marketplace. Specific items that need to be scrutinized include, but are not limited to, government spending on the maturity of manufacturing equipment, information systems, technological research, technological advancements, the life cycle of current technology, the role of the Internet and how any changes to it may play out, and the impact of potential information technology changes. Even in less-developed countries where manufacturing is typically stronger due to low cost of labor and high cost of capital-intensive equipment, labor-saving technology is becoming more affordable and accessible. Take, for instance, a textile factor in Vietnam. It is more cost effective for the factory to purchase high-tech threading equipment to spin the cotton into thread than to hire hundreds of people to
thread the cotton by hand, even when the average wage for such employees is less than $100 a month. Just like the other factors, companies should consider generational shifts and their related technological expectation to figure out how they will affect who will use their product and how it’s delivered (Snell & Morris, 2019).

While advances in technology have pushed for more service-based jobs, information systems and technology platforms have also increased the rate at which these services can be traded across countries. Along with the creation of the WTO, 1995 also signifies the beginning of the Internet era mentioned early which is a major driver of the increase in globalization.

Table 2.1 provides an example of PEST analysis that can give HRM professionals and other organizational members a clear understanding of how this works:

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<th>Political</th>
<th>Economic</th>
<th>Sociocultural</th>
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<td>• New state tax policies for accounting</td>
<td>• International economic growth</td>
<td>• Shift in educational requirements and changing career attitudes</td>
<td>• Automated processes in the industry</td>
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<td>• New employment laws for employee handbook maintenance</td>
<td>• Changes in interest rates</td>
<td>• Population growth rate</td>
<td>• Rate of innovation</td>
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<td>• Political instability in a foreign partner country</td>
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<td>• Changes in technology incentives</td>
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Today, employees around the world continue to become empowered to compete without the need of a large company. For example, many websites such as guru.com have developed an online marketplace where individuals can offer various services and compete for business throughout the world. Consider the reality that one might be interested in developing a new website for their company. By going to the Internet one can select various individuals offering specific services. They may be from different parts of the world. In conclusion, these PEST factors shift the way companies are formed and how they and their HRM professionals go about managing their human resources in a global environment.

**ANALYZING A COMPANY’S LEVEL OF INTERNATIONAL AND HRM OPERATIONS**

Today’s international business operations can take several different forms. A large percentage of these operations carry on their international business with only limited facilities and minimal representation in foreign countries. Others have extensive facilities and personnel in various countries of the world. Managing these
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resources effectively, and integrating their activities to achieve global advantage, is a challenge to a company’s leaders and HRM professionals.

Often we hear companies referred to as “multinational” or “international.” However, it is important for HRM professionals to understand the different levels of participation in international markets. This is especially important because as a company becomes more involved in international trade, different types of HRM challenges, problems, and opportunities arise.

Bartlett and Ghoshal (1991) identified the following four international organizational models:

- Decentralized federation in which each national unit is managed as a separate entity that seeks to optimize its performance in the local environment. (This is the traditional multinational corporation).
- Coordinated federation in which the center develops sophisticated management systems enabling it to maintain overall control, although scope is given to local management to adopt practices that recognize local market conditions.
- Centralized hub in which the focus is on the global market rather than on local markets. Such organizations are truly global rather than multinational.
- Transnational in which the corporation develops multi-dimensional strategic capacities directed towards competing globally but also allows local responsiveness to market requirements.

Adler (2008) offers another categorization of the four various levels of international participation from which a company may choose and includes the following levels of involvement or participation: domestic, international, transnational, multinational. The four basic types of organizations differ in the degree to which international activities are separated to respond to the local regions and integrated to achieve global efficiencies.

Domestic. Most organizations begin by operating within a domestic marketplace. For example, a business that starts in the U.S. marketplace must recruit, hire, train, and compensate their employees who are usually drawn from the local labor market. The focus of the selection and training programs is often on the employees’ technical competence to perform job-related duties and to some extent on interpersonal skills. In addition, because the company is usually involved in only one labor market, determining the market rate of pay for various jobs is relatively easy.

As the company grows it might choose to build additional facilities in different parts of the country to reduce the costs of transporting the products over large distances. In deciding where to locate these facilities, the company must consider the attractiveness of the local labor markets. Various parts of the country may have different cultures that make those areas more or less attractive according to the work ethics of the potential employees. Similarly, the potential employees in the different areas may vary greatly because of differences in educational systems.
Finally, local pay rates may differ. However, it is important to note that in most instances, companies functioning at the domestic level face an environment with very similar political, economic, sociocultural, and technological situations, although the variation might be observed across states and geographic areas.

*International.* As more competitors enter the domestic market, companies face the possibility of losing market share; thus they often seek other markets for their products. This usually means entering international markets, initially by exporting products but ultimately by building production facilities in other countries. The international corporation is essentially a domestic firm that builds on its existing capabilities to penetrate overseas markets. Companies such as Procter & Gamble, Honda and General Electric used this approach to gain access to Europe—they essentially adapted existing products for overseas markets without changing much else about their normal operations (Snell & Morris, 2019).

The decision to participate in international competition raises a host of HRM issues. All the problems regarding locating facilities are magnified. For example, HRM professionals must consider whether a particular location provides an environment where human resources can be successfully acquired and managed.

*Global.* The global corporation, on the other hand, can be viewed as a multinational firm that maintains control of its operations worldwide from the country in which it is headquartered. Japanese companies, such as NEC and Matsuhita, tend to treat the world market as a unified whole and try to combine their activities in each country to maximize their efficiencies on a global scale. These companies operate much like a domestic firm, except that they view the whole world as their marketplace.

Global organizations compete on state-of-the-art, top-quality products and services and do so with the lowest cost possible. Whereas MNCs attempt to develop identical products distributed worldwide, global companies increasingly emphasize flexibility and mass customization of products to meet the needs of particular clients. MNCs are usually driven to locate facilities in a country as a means of reaching that country’s market or lowering production costs, and the company must deal with the differences across the countries. Global organizations, on the other hand, choose to locate a facility based on the ability to effectively, efficiently, and flexibly produce a product or service and attempt to create synergy through the cultural differences.

This creates the need for HRM systems that encourage flexible production (thus presenting a host of HRM issues). These companies proactively consider the sociocultural, political, economic, and technological systems to determine where production facilities can be located to provide a competitive advantage. Global companies have multiple headquarters spread across the globe, resulting in less hierarchically structured organizations that emphasize decentralized decision making. This results in the need for HRM systems that recruit, develop, retain, and use employees who are competent transnationally.
Transnational. Finally, a transnational corporation attempts to achieve the local responsiveness of a multinational corporation while also achieving the efficiencies of a global firm. To balance this “global/local” dilemma, a transnational uses a network structure that coordinates specialized facilities positioned around the world. More specifically, transnational corporations use geo-diversity to great advantage, placing their top executives and core corporate functions in different countries to gain a competitive edge through the availability of talent or capital, low costs, or proximity to their most important customers. Of course, it is all made possible by the Internet, as improved communication facilitates an integrated global network of operations.

By using this flexible structure, a transnational provides autonomy to independent country operations but brings these separate activities together into an integrated whole. For most companies, the transnational form represents an ideal, rather than a reality. McDonald’s is an example of a transnational corporation, especially with culture-specific food items, like India’s vegetarian McAloo Tikki, the McKebab in Israel, or a Hawaiian Deluxe Breakfast complete with span, rice, eggs, and hash browns. With over 31,000 restaurants across 119 countries serving 58 million people each day, it makes sense that McDonald’s overseas revenue makes up nearly 65 percent of their total revenue, and that they cater McDonalds’ core burger-fries-and-shakes menu to local tastes (Johnson, 2011).

The development of transnationals has led to a fundamental rethinking about the nature of a multinational company. Does it have a home country? What does headquarters mean? Is it possible to fragment corporate functions like HRM globally? To be sure, organizational structure directly affects all HRM functions from recruitment through retirement because to be effective, HRM must be integrated into the overall strategy of the organization. Indeed, from the perspective of strategic management, the fundamental problem is to keep the strategy, structure, and HRM dimensions of the organization in direct alignment (See Briscoe & Schuler, 2012) while being respectful of local country laws or regulations.

GLOBALIZATION AND IMPLICATIONS AND IMPACTS FOR HRM IN THE FUTURE

Entry into international markets creates a host of HRM issues, challenges, problems, and opportunities that must be addressed by HRM professionals and other organizational members if a company is to not only survive but also thrive in a global environment. Once the choice has been made to compete in a global arena, companies must seek to manage employees who are sent to foreign countries as well as local employees. And this results in another issue facing international organizations, the extent to which their HRM practices should either ‘converge’ worldwide to be basically the same in each location, or ‘diverge’ to be differentiated in response to local requirements. There is a natural tendency for managerial traditions in the parent company to shape the nature of key decisions, but there are strong arguments for giving as much local autonomy as possible in order to
ensure that local requirements are sufficiently taken into account. (This is known as the global/local dilemma) (see Andrews, 2011). Convergence may be increasing as a result of the following factors:

- The power of markets
- The importance of cost
- Quality and productivity pressures
- The development of like-minded international cadres
- The widespread practice of benchmarking ‘best practices.’

However, before focusing on these challenges it is important for HRM professionals to first understand what is meant by international human resources management (IHRM) and the different levels of participation in international markets. This is especially important because as noted previously a company becomes more involved in international trade, different types of HRM issues, challenges, problems, and opportunities arise.

Broadly defined, global or IHRM is the process of procuring, allocating, and effectively utilizing human resources in an international business. More specifically, global or international human resource management (IHRM) is the process of employing, developing and rewarding people in international or global organizations. It involves the world-wide management of people, not just the management of expatriates. An international organization or firm is one in which operations take place in subsidiaries overseas, which rely on the business expertise or manufacturing capacity of the parent company. Such companies or organizations bring with them their own management attitudes and business styles. HRM professionals of such organizations cannot afford to ignore the international influences on their work.

IHRM involves a number of issues not present when the activities of the company or organization are confined to one country. For example,

- The variety of international organizational models that exist
- The extent to which HRM policy and practice should vary in different countries. (This is also known as the issue of Convergence and Divergence).
- The problem of managing people in different cultures and environments.
- The approaches used to select, deploy, develop and reward expatriates who could be nationals of the parent company or ‘third-country nationals’ (TCNs)—nationals of countries other than the parent company who work abroad in subsidiaries of that organization.

How Does Globalization Affect HRM?

Globalization has made us a multicultural society which has implications on HRM professionals and their function in a company’s host and other countries. There are four theoretical frameworks that can help HRM professionals and other
company employees explore the influences on HRM across international boundaries, including: cultural, institutional, universal and contingency perspectives (White, 2015).

The cultural perspective suggests there are clear cultural differences between nationalities and these should be recognized. International corporations which accept and recognize these cultural differences in managing employees through HRM practices will be successful in their host countries.

The institutional perspective accepts there are differences that need to be understood and recognized within societies and these have an impact on the HRM practices, but it rejects the concept that certain practices, such as recruitment and selection, performance management and reward lead to improved organizational performance as these practices may mean different things within different societies.

The universal perspective approach claims that certain HRM practices, such as performance management, recruitment and selection and reward lead to higher organizational performance. It has been suggested that HRM practices that are successful in the home country should be adopted into the host country (Marchington & Wilkinson, 2012). A criticism of this viewpoint is that it does not take into account internal and external factors, such as the characteristics of the organization or the culture of its host country (White, 2015).

Finally, the contingency perspective depends on both the internal and external factors of an organization for the take up of HR practices. The key features for HRM are the location of the organization, the product market, the organization's life cycle stage and if the organization is privately owned or a joint venture. Each of these factors will have an effect on HRM, for example where the organization is based will depend on the HR practices and policies it deploys.

**Impacts and Implications on HRM**

Given the above one can argue that the impacts and implications on HRM in global or international or multinational corporations depends on the type of organization, its product life cycle and the core belief of its hierarchy (Marchington & Wilkinson, 2012). Edwards (2011) takes this view further and outlines that the influences are categorized into home country/country of origin effects, dominance effects, international integration effects and host country effects.

The home country/country of origin view supports the enforcing of headquarter HRM practices from the home country across all countries where there is a subsidiary. All countries where there is a subsidiary for the multinational corporation will adopt a single approach to HRM practices, such as recruitment and selection, reward and performance management. Using this model means the global or multinational or international company doesn’t take into account local culture and practice when implementing HRM practices.

The dominance effect supports a standard approach of HRM practices across all countries for the multinational, global or international corporation as this is
seen to be best practice internationally. Again this doesn’t take into account local culture and practices in which the international corporation operates.

The international integration effect relates to the extent at which the international, global or multinational corporations build closer relationships across different borders. In some instances, the corporation may move their headquarters from their home country to other regional countries, adopting their exiting HRM policies while also bringing some best HRM practice from the home country.

The host country effect adopts the HRM practices and policies of the host country in which the corporation operates in. This could be due to it being too difficult to enforce the home country HRM practices and policies due to cultural differences or the practices and policies in place do not need to be changed.

Globalization is seen to be a complex and controversial subject with many supporters and critics. As briefly discussed earlier, the implications on HRM professionals and their functions for international corporations are dependent on a variety of factors. Market pressures and local influences, such as culture, have strong implications on HRM practices implemented by global corporations with research supporting the view of the complexities and different influences. It can be argued therefore that there is no one best fit for HRM practices for all organizations across the globe, but there are some best fit processes that can be incorporated along with the local culture and business practice.

Today’s organizations are becoming more international and having systems, policies and process in place to be able to deal with this changing landscape of a host companies’ workforce is paramount. A system, for example, for employees that supports multiple language and different data formats will help improve engagement as employees can manage their own data in their native language. This also enables organizations to roll out employee self-service access to other countries, as well as providing non-host country nationals who work for the corporations to use the application in their chosen language.

Global HRM is an umbrella term that includes all aspects of an organization’s HRM, payroll, and talent management processes operating on a global scale. As technological innovations make it easier for organizations to conduct business across the world, global expansion and accompanying HRM policies and procedures as noted earlier has become an increasing reality—if not necessity. Operating human resources across geographic and cultural boundaries can often prove difficult for global organizations. Nonetheless, with the widespread use of technology, the ability to communicate with anyone around the world and access to new and varied markets, international HRM issues like those briefly discussed below are important for HRM professionals to grasp.

Language. As briefly noted earlier, one of the more obvious effects of workforce globalization is the need for language services such as translation. Employees from foreign countries who speak different languages often must travel to meet or communicate with others inside the organization. This has caused more companies to hire foreign language translators. Translators help employees from
different countries communicate during meetings or at events. They also help U.S. employees traveling to foreign countries interact with the local employees, partners and customers.

Culture. Developing a global organizational culture is much more complex than building one domestically. The point of a common culture is that employees share norms and values. When a corporation’s employees come from varying cultures themselves, they inherently have distinct differences in their own view of work, communication and other aspects of the company. Thus, HRM professionals must work diligently to train employees on cultural sensitivity and find common points shared by employees throughout the organization. Virtual work teams often are used to promote cross-cultural teamwork.

Localization. Even while trying to create a global culture, HRM professionals often have to emphasize localization in each country. This correlates with strategies used by companies as they enter foreign markets and try to build good rapport with local communities. This means having strong hiring and training processes at national and local levels and compensation and motivation systems that fit well with each country of operation.

Compliance with International Laws. One effect of globalization on HRM is the need for businesses to understand and apply the laws of many different jurisdictions to the particular business. The federal government sets out a number of tax and labor laws that businesses operating in the United States must comply with, but there may also be local and regional laws that apply to companies that operate in different states or different countries.

As companies decide to expand into the global marketplace or as they hire employees from diverse geographic and cultural backgrounds, they may have to adapt to new labor laws and tax liabilities. Doing business in Europe, for example, will require the firm to pay value added tax. Hiring employees at branch locations in different locations might change the requirements on minimum wage, tax allowances or working hours. Also, hiring employees who are non-naturalized US citizens might require HRM to apply for work visas and report economic data to the federal government. Compliance with international law can be an issue for companies that have little to no experience in the global environment, because these laws tend to be complex and sometimes difficult to implement. Keeping well-informed of the legal requirements for the business’s operations can help alleviate some of this complexity. Therefore, understanding a countries’ laws is vitally essential to the organization because any breach of them will have a serious impact not only on the business’s financial well-being but also on its reputation.

Diversity Recruitment & Cultural Diversity. Globalization makes for a larger labor pool from which to choose, but it also increases the possibility of language and cultural barriers in the recruitment process. If the company does not address such barriers, it can make the recruitment process increasingly time-consuming and difficult. HRM professionals must adapt to the different customs and cultures when hiring employees in different countries. Language barriers also
may necessitate hiring bilingual employees and adapting employee documents, such as employee manuals and training materials, into different languages.

Globalization also means that companies of all sizes are now interacting with customers and stakeholders from diverse cultures, languages and social backgrounds. In response, many HRM professionals seek to hire employees from equally diverse backgrounds. Companies engaging in this diversity recruitment recognize the value of having people on staff that their customers can relate to, and they know that having a team of diverse people contributes to the range of ideas and influences within the organization.

Successful diversity recruitment in international HRM is dependent upon understanding and maintaining cultural diversity. Working with people from different locations or from different cultural backgrounds means adapting the company’s work style to new ideas, new ways of communicating and unfamiliar social practices. If the company hires an employee from England, for example, the employee might have different ideas about how to manage employees or on how to run technology processes based on their own experiences back home. Being open to new work styles and cultural differences is the hallmark of cultural diversity in HRM.

Benefits and Compensation. Benefits and compensation are the backbone of any HRM strategy, but in international HRM, benefits and compensation are even more important in focusing on the work-life balance of employees. The idea behind work-life balance is to provide employees with programs and initiatives that improve both their personal and professional lives. This is considered part of international HRM, because many multinational companies have already implemented programs such as flexible working time, paternity leave, extended holidays and on-site childcare. In fact, many nations around the world, including much of Europe, mandate these programs by law. Implementing them on the local scale is one of the challenges and, ultimately, rewards of international HRM.

Training and Development. Related to the idea of benefits and compensation in international HRM are training and professional development programs. Training programs typically encompass in-house seminars and meetings designed to give employees on-the-job knowledge of skills that are important to doing business globally. HRM might offer language classes to expatriates, for example, or a company might host language classes to give its call center staff an edge in telephone sales. It might also teach its employees how to use a new global software platform. This emphasis on training seeks to give the company a competitive edge in the global marketplace by honing the employees’ diversity emphasis.

Professional development is concerned with providing employees opportunities to achieve their career-related goals and very often encompasses the “extra” training that HRM provides to its employees, such as providing them resources to earn a college or university degree, allowing them to attend networking events and conferences, global training seminars and other specific competency-based programs. Professional development also helps expatriates, for example, to hone
their skills in global marketing, international business development and finance trends. Professional development is important to globalization because it creates a win-win situation. The employees feel as though the organization is concerned with providing a range of skills and competencies for their employees. Likewise, the organization benefits from the added skills and connections that the employees who take advantage of professional development programs acquire.

**Impact of Globalization on the HRM Function and Professionals**

As globalization continues to expand, the functions within global or international companies all are impacted. It is not unusual for employees to fear being replaced by a cheaper workforce overseas and executives are required to learn the various cultural differences and regulatory environments in which they operate. But in the author’s view none of the departments and employees are affected as much as HRM and professionals that must manage the workforce at home and abroad. Technology is available that can help HRM professionals manage the processes involved in globalization, but there are downsides for HRM professionals and other leaders and managers who must deal with languages, time differences and employment rules around the world.

**Job and Roles Redefined.** One of the positive aspects of globalization on HRM is redefining the role of the HRM professional within global organizations. Instead of managing the minutia involved with the administration of employee benefits and payroll, which continues to be outsourced, HRM professionals increasingly play a larger role in the company by being involved with strategic planning and developing strategic HRM programs to, for example, train and improve the diverse and global workforce.

**The Potential for Recruitment Grows Substantially.** Like in many of their domestic organizations HRM professionals are no longer bound by the physical boundaries of their local area when their company moves into the global playing field. As a result, HRM’s recruitment efforts become easier and more diverse as they have a wider pool of talent from which to draw. The larger employee pool is especially notable in the higher-skilled categories where there often is a gap between supply and demand. Businesses may thrive with competitive products and services, but cannot survive globally without the right mix of talented employees that HRM professionals are responsible for identifying, recruiting, selecting, on-boarding, training and developing, and compensating, and so on.

**Critical HRM Technology Changes Occur.** For companies that retain benefits, compensation, payroll deductions, employee training and performance evaluations in-house, HRM professionals increasingly are tasked with operating new computer systems required to manage a global workforce. Hundreds of vendors can provide global companies with the appropriate software programs to deal with the numerous HRM tasks, but someone still has to evaluate the appropriate fit for the corporation and operation of the systems. HRM professionals have to
Challenging Cultural Differences. Perhaps one of the most challenging aspects of globalization on HRM professionals is the need to discover and learn the cultural differences at play with their new global workforce. HRM professionals must learn how best to communicate company goals and missions, integrate diverse value systems into their companies and coordinate the activities of all their employees to achieve their goals. HRM professionals in the home office must also build working relationships with frontline managers to communicate company policies, ensure new hires understand the parameters of their employment and translate company directives for workers. HRM professionals need to develop an understanding of the living conditions and training processes in other countries and follow foreign employment regulations, labor relations laws and organized labor issues, as well as figure out how to create effective performance appraisals often from afar. More than ever, HRM professionals must partner with and rely on the local supervisors or managers on the ground to communicate vital HRM information, rather than relying on their own training and abilities.

CONCLUSION

Globalization is a polarizing subject that is not easily defined. Globalization allows for increased competition, lifts barriers to entry for developing countries, helps to promote economic growth and works to unify the world’s economies. Globalization provides opportunities for businesses to invest in foreign markets and to gain access to new capital. A key concern in achieving financial results through globalization is the effect it has on a firm. Bringing employees together despite distance and cultural differences is a challenge company leaders and HRM professionals must continue to tackle.

As is the case with domestic organizations, the HRM of company is an integral part of its success. HRM for today’s and tomorrow’s global corporation that operates in multiple countries presents many cultural and socio-economic challenges. Globalization has many positive and negative effects on any global or international corporation’s HRM function and professionals.

Global HRM efforts will continue to present particular issues, challenges and opportunities for HRM professionals. There are a number of best practices available to HRM professionals and other organizational leaders for managing an organization’s most valuable resource—it’s people at work. Much of what has been discussed throughout this chapter and others in this book on HRM can be applied to both domestic and internationally successful organizations that are able to sustain and prolong their success through the way they manage their human resources.

While there are many similarities, global HRM is distinct from domestic HRM because of its broader perspective, the greater scope of activities included in global HRM, and the higher level of risk associated with global HRM activities.
Today’s and tomorrow’s global organizations will continue to take any one of a number of different approaches to HRM, with the choice depending on political and legal regulations; the managerial, educational, and technological development in the host country; and differences between the home and host cultures.

HRM professionals will need to increase their skill and competence in working with other organizational members to successfully coordinate global or international HRM operations in a variety of countries, each with its own local cultural, legal, and traditional influences. In the years to come HRM professionals must ensure that their organization’s policies are flexible enough to allow for these local variations while not losing sight of the fact that such policies also must be developed to help achieve the overall strategic global objectives of the corporation.

Increased care must be taken by HRM professionals in developing the various HRM activities to ensure that they take into consideration each local country’s cultural and legal nuances. Staffing, training and development, performance appraisal, compensation, workplace safety, management of labor relations and the use of expatriates versus locals are of paramount concern to successful global HRM (see Cascio, 2019; Mello, 2019; Mathis et al., 2017; Noe et al., 2019; Snell & Morris, 2019).

Like all of the other HRM activities discussed in this book, HRM professionals and other managers and leaders must recognize the important role that globalization and its impact and implications for its employees can have on their organization’s success in the international arena. The collective HRM activities all play important roles in developing and sustaining competitive advantages for a global organization. Today and in the future the organization’s ability to attract, develop, and retain a talented workforce will be a critical factor in developing a high-performance, successful international organization.

The ‘universalistic’ approach to HRM must be rejected by HRM professionals as the basic functions of HRM are given different weights among countries and are carried out differently. In addition, the cultural differences among countries have produced the slogan in global or international HRM “Think GLOBALLY and act LOCALLY.” This means that an international balancing act is required by HRM professionals and their organizations, which leads to the fundamental assumption made by Bartlett and Ghoshal (1991) that balancing the needs of coordination, control and autonomy and maintaining the appropriate balance are critical to the success of the multinational company.

In concluding this chapter it is important for HRM professionals to remember that the recent uncertainty in global politics and the continued business risks mean that global companies and their HRM professionals will continue to face some difficult challenges in the coming years. HRM professionals will need to increasingly be aware of the many factors that significantly affect HRM in a global environment, such as political, economic, sociocultural, and technological, and that they understand how these factors come into play in the various levels of global participation. Finally, it requires that HRM professionals be adept at understand-
ing the impact and implications of globalization on the broader corporation, its employees and on their role in helping to effectively manage the company’s most important resource, its people, to gain and sustain competitive advantage in today’s and tomorrow’s global marketplace.

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