International Business and Strategy

Session 8: Global Human Resource Management

Agenda for today

- What is Human Resource Management (HRM)?

- Future of work

- Global Human Resource Management

- HRM practices: staffing and performance management

- Expatriate managers

- Mini-case study in class

What is HRM?

Human Resource Management?

On the post-it notes:

1. Write down 5 <u>adjectives</u> that in your opinion generally describe the function of Human Resource Management.

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Human Resource Management?

2. Create a mind map based on your post-it notes:

Think about:

- Which adjectives are frequently mentioned?

- How can they be categorized?

- Can you identify any links between them?

Back to the sticky notes

We asked this from 100 people working in different organizations...

Please list 5-10 adjectives that in your experience best describe the HR function:

TOP 10

bureaucratic	27
supportive	23
helpful	22
caring	11
slow	11
developmental	10
distant	10
friendly	9
invisible	8
detached	7
humane	7

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What do we learn from this?

Positive picture of HR?

Negative picture of HR?

But what about STRATEGIC? Or INFLUENTIAL?

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Why Human Resource Management?

Because companies don't do anything, people within them do

The biggest myth in business is…

That business is all about numbers.

It's really all about people.

Barbara Corcoran,
entrepreneur, investor, US Shark Tank judge

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things   **people**

$$C = Q \times A$$

C = Change
Q = Quality of the plan
A = Acceptance and buy-in by employees

HRM as a function - history & background

- **No one universal definition of HRM**

"The origin of the HRM function can be traced in England where masons, carpenters, leather workers, and other crafts-people organized themselves into guilds. The groups worked towards the common objective of attaining "improved work conditions".

(HR-house blog)

The term 'Human Resource Management' first appears...

"The general type of activity in any function of management ... Is to use resources effectively for an **organizational objective...**The function which is related to the understanding, maintenance, development, effective employment, and integration of the potential in the **resource 'people'** I shall call simply the *human resources function*'."

– "There is nothing new about the managerial function of dealing with people...like other sub-functions of management...it has been *carved out* of the general managerial function, *not put into it*."

Wight Bakke, 1958 (pp.5-6)

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Human Resource Management

What is it?

- The activities an organization carries out to utilize its human resources effectively
  - *Determining human resource strategy*
  - *Staffing*
  - *Performance evaluation*
  - *Management development*
  - *Compensation*
  - *Labor relations*

A history of HR

Employment rights and industrial relations	• 1910s: Tata Steel and Ford Motor company introduce the 8-hour work day
Workforce administration	• 1940s: Maslow's Hierarchy of needs – a precursor to employee engagement • 1960s: Rise of industrial relations • 1970s: Personnel management adopts social science theory
Employee commitment and motivation	• 1980s: Emphasis on employees as assets • 1990s: Balanced scorecards and the Ulrich Model • 2000s: The rise of HR outsourcing and offshoring
Technology revolution	• Late 2000s: Social media and the emergence of cloud HR • Early 2010s: Big data and HR analytics • Mid-2010s: Robotics and advent of cognitive automation

Future of work and HRM

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Creating a world-leading research & practitioner concentration: focus on new forms of work.

Pulling together multidisciplinary projects and researchers across Aalto and in cooperation with top universities and research institutes.
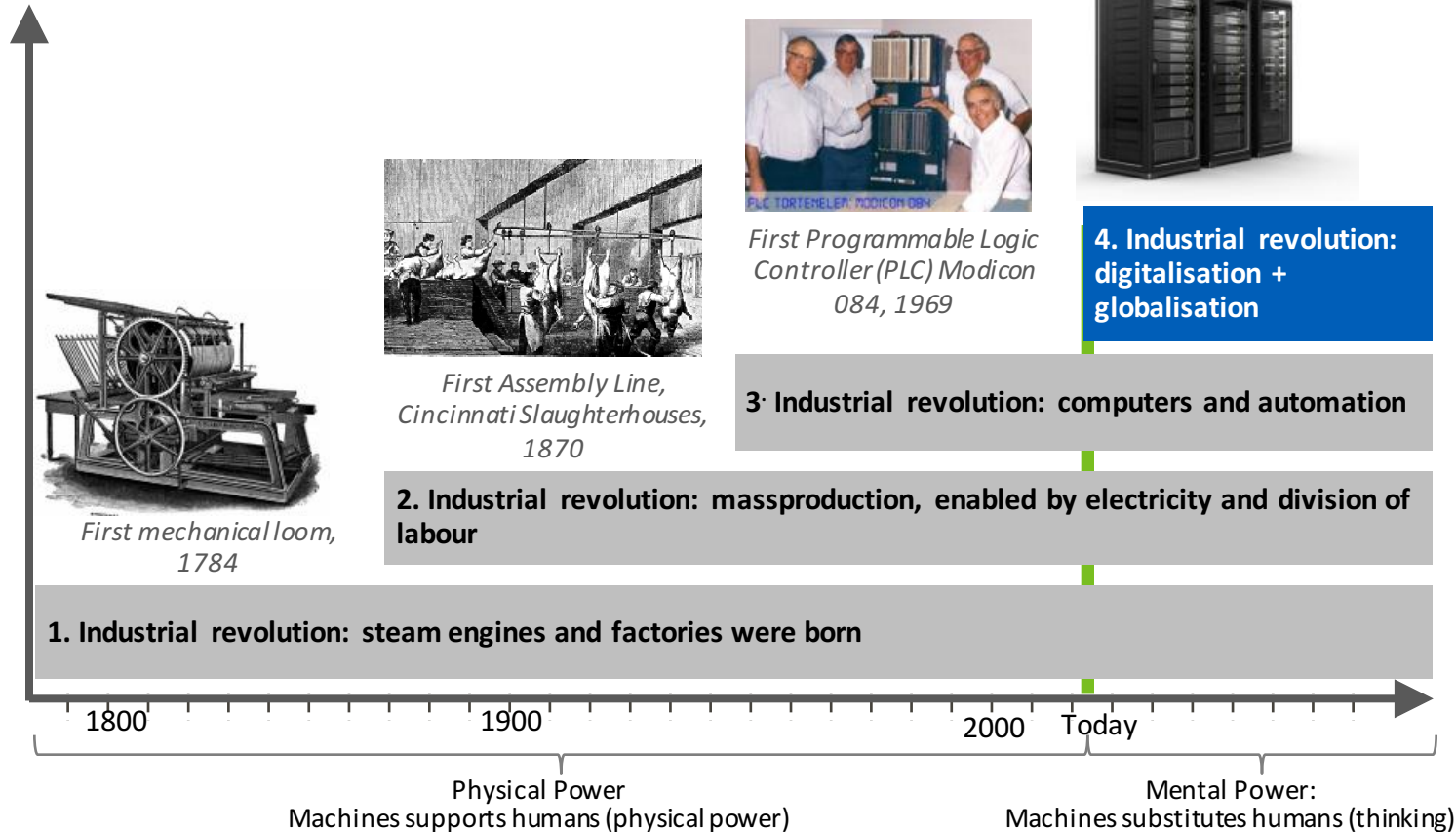
Producing world class research and serving the Finnish society and economy.

FUTURE OF WORK

Future of Work programme: Pulling together research on this accross Aalto

Key research topics:

- New industries and business models

- New types of servitization of industrial operations

- New forms of organizing comprises use of real-time data flows to control and organize work across organizational boundaries

- New ways of managing people

- New forms of strategy work focuses on novel ways to use practices and tools (such as big data) in strategy making

First Programmable Logic Controller (PLC) Modicon 084, 1969

4. Industrial revolution: digitalisation + globalisation

First Assembly Line, Cincinnati Slaughterhouses, 1870

3. Industrial revolution: computers and automation

2. Industrial revolution: massproduction, enabled by electricity and division of labour

First mechanical loom, 1784

1. Industrial revolution: steam engines and factories were born

1800   1900   2000   Today

Physical Power
Machines supports humans (physical power)

Mental Power:
Machines substitutes humans (thinking)

Source: Christian Fieseler

4th Industrial Revolution: ?

3rd Industrial Revolution: Knowledge Work

2nd Industrial Revolution: Taylorism, Productivity

1st Industrial Revolution: Mechanization of Labor

1800   1900   2000   Today

Physical Power
Machines supports humans (physical power)

Mental Power:
Machines substitutes humans (thinking)

Source: Christian Fieseler

Please note that none of this is new, just gaining unprecedented speed now due to technological development.

Please also note that it matters greatly what type of work we are discussing, white collar knowledge work or blue collar factory work.

Change at two levels

- **Micro-level behavioral changes**
  Decoupling of (cognitive) work and time, place, and employment relationship

- **Macro-level structural changes**
  Artificial intelligence, automatization/robotization, and virtual technologies gradually changing division of labor

#futureofwork

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WHAT IS CHANGING AND WHAT ISN'T?

- Work is not. It will always persist – just changing form.

- Management needs to follow suit – change & facilitate

- Technology, e.g. robots should be seen as tools and used proactively and problematized: what tasks should and could we share with them? Whose ethics do they entail?

People are better than robots in:
- Empathy and social skills
- Ability to learn, to think creatively, to give meanings
- Ability to think flexibly and understand connections between things

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Some examples of changes that are happening already

- What is something that people do now that robots might do?

- The answer? - everything

- Brown University roboticists (2017):

- NOT just a blue-collar issue, significant changes are on the way for example for: accountants, doctors, lawyers, architects, teachers and journalists

What kind of work will be easily automated?

HOW DO WE MANAGE AND LEAD THE HUMAN INTERFACE?

Technology

HUMAN INTERFACE

Changing work

What does this mean for people management?

ORCHESTRATION: How to combine and coordinate?

INSPIRING: Why would talent want to work for you?

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15 min. break

Why HRM in Multinational Corporations?

Because they are complex

All companies need to deal with the international environment

-> Even if your own business is solely domestic, your suppliers or competitors are likely to be international

-> We learn most by looking at organizations operating in the most complex environments (EXTREME CASE!)

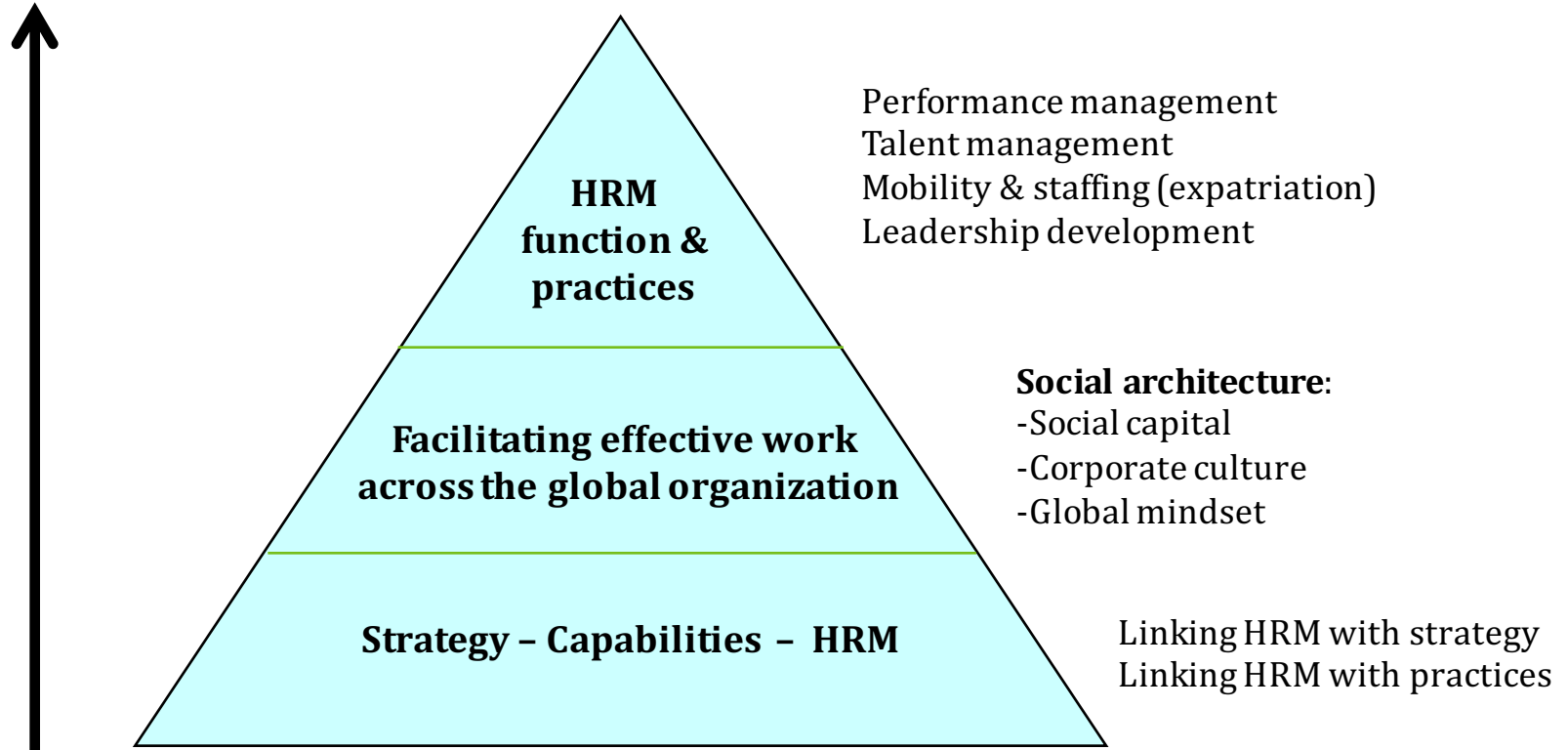-> The same coordination problems are present in all organizations, just in less complex ways
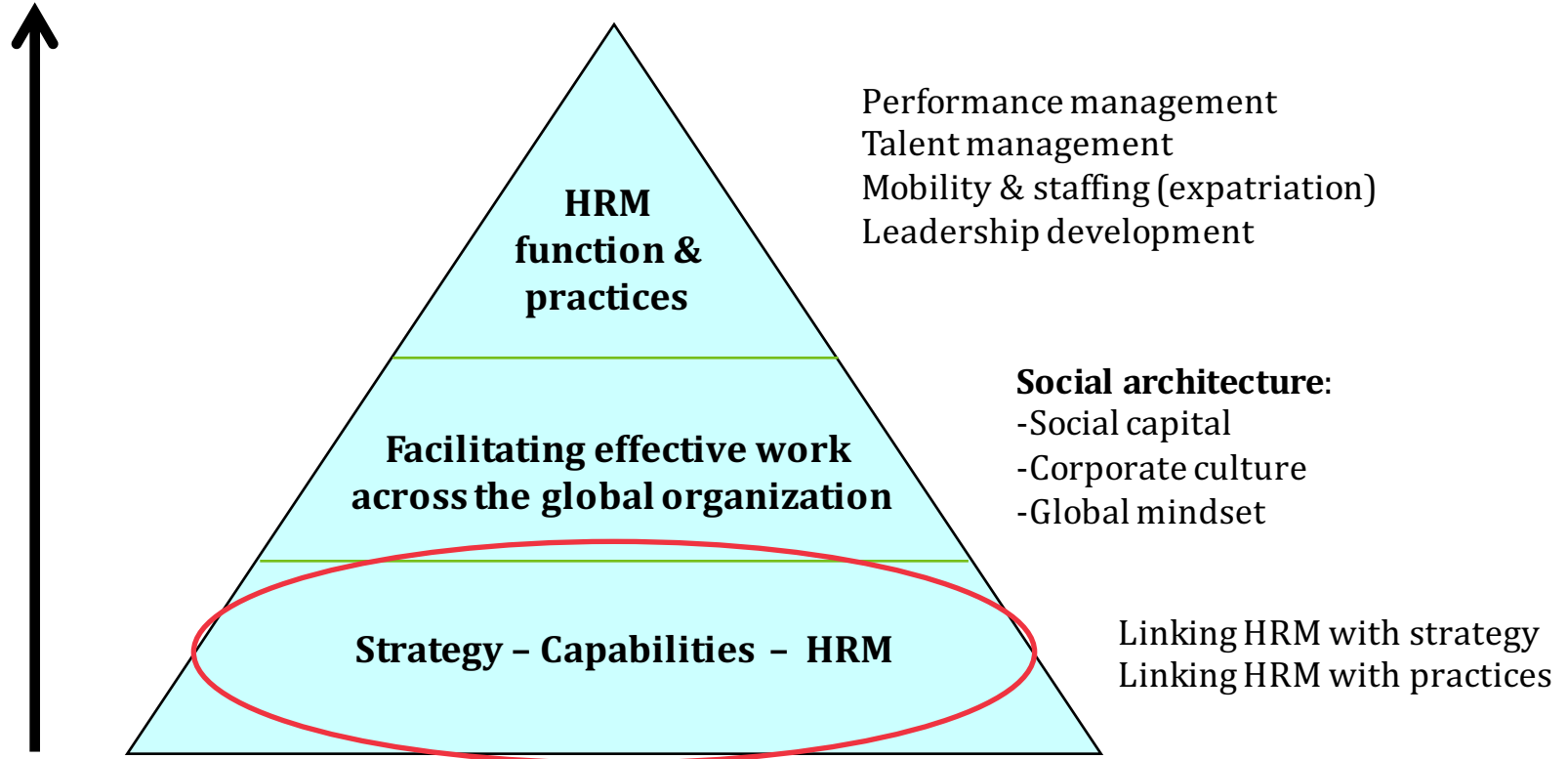
Global Human Resource Management

HRM is more complex in an international business because of differences between countries in labor markets, culture, legal systems, economic systems, etc.

- International HRM also deals with issues related to **expatriate managers** (citizens of one country working abroad)
    - *When to use expatriates*
    - *Who to send on expatriate postings*
    - *How expatriates should be compensated*
    - *How to handle the repatriation of expatriates*

Global Human Resource Management

HRM function & practices

Performance management
Talent management
Mobility & staffing (expatriation)
Leadership development

Facilitating effective work across the global organization

Social architecture:
-Social capital
-Corporate culture
-Global mindset

Strategy – Capabilities – HRM

Linking HRM with strategy
Linking HRM with practices

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Linking HRM with strategy
Linking HRM with practices

Strategy and HRM

Strategy → Capabilities → HRM

1. Clarify the **strategy** (business model) necessary to win in the market

2. Specify organizational **capabilities** required to support the business model

3. Design and deploy **(HR) practices & processes** that enable differentiating capabilities

Strategy in a multinational context

Firms respond to various tensions, pressures and challenges through their strategy

- Efficiency vs. innovativeness

- Short term vs. long term

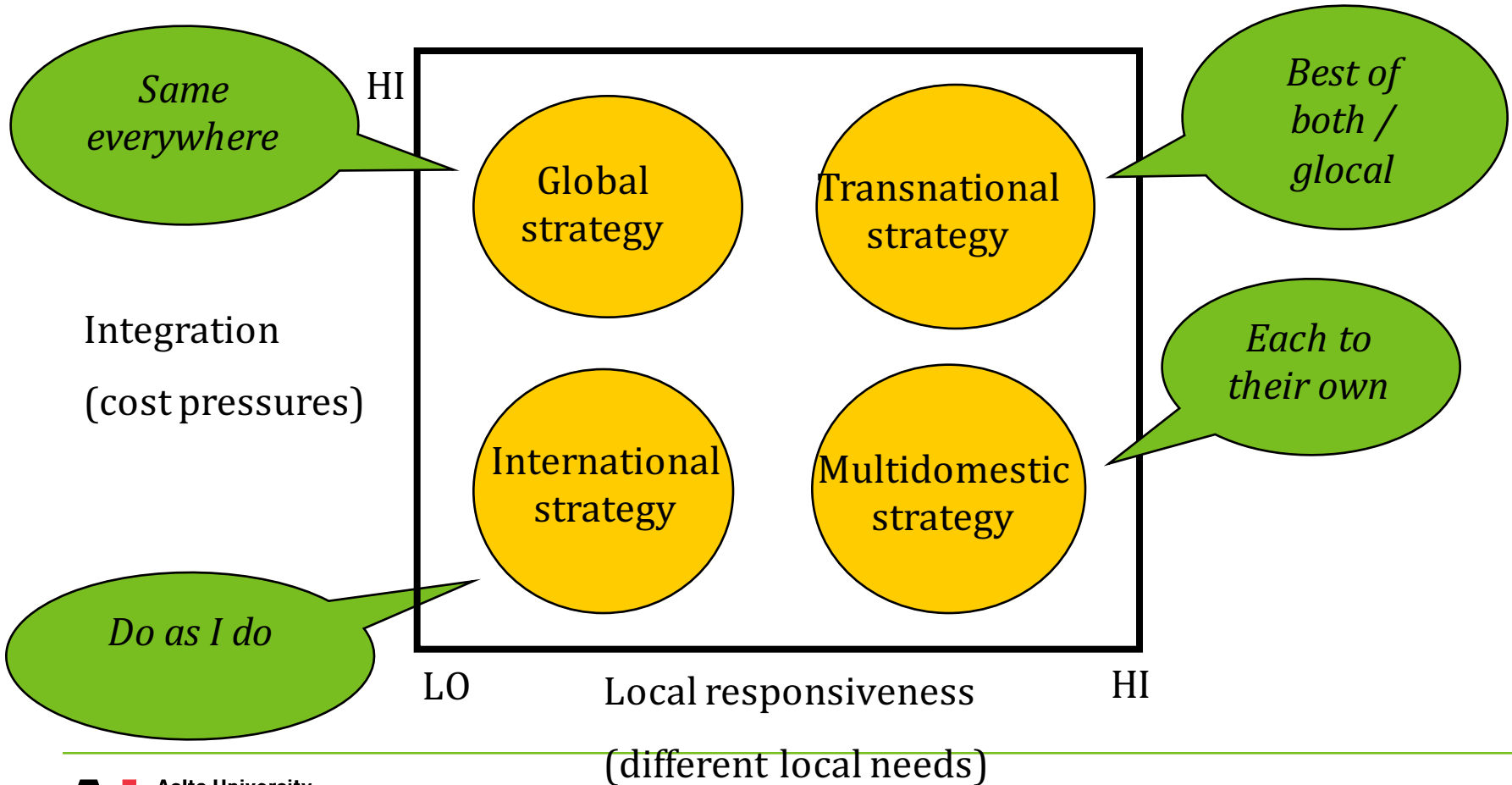- **Global integration vs.**
- **Local responsiveness**
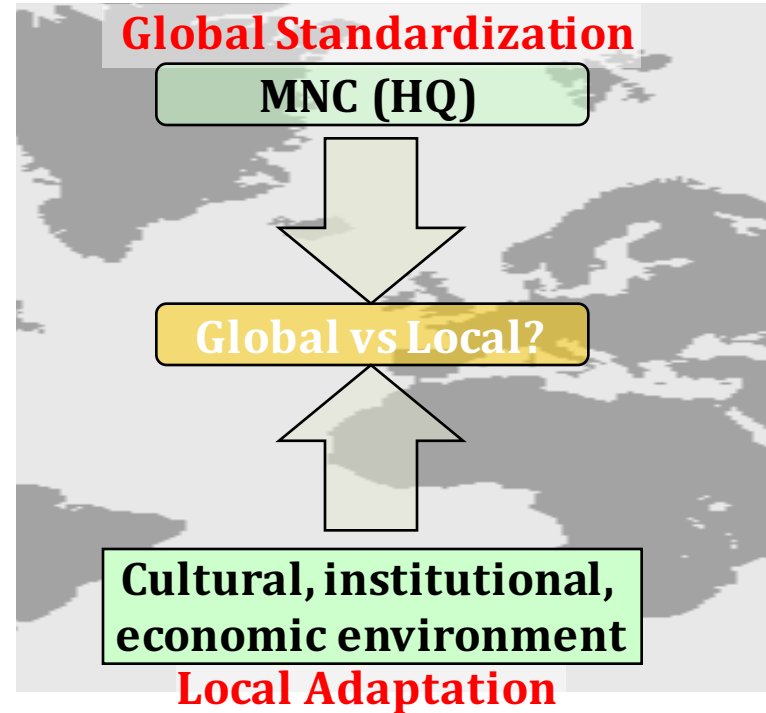
The global vs. local dilemma

Two types of competitive pressures:

1. Pressures for **cost reductions**
2. Pressures for **adapting to local needs**

→ **Conflicting and contradictory; being locally responsive typically raises costs**

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4 generic MNC strategies

Same everywhere

Best of both / glocal

HI

Global strategy

Transnational strategy

Integration

(cost pressures)

Each to their own

International strategy

Multidomestic strategy

Do as I do

LO   Local responsiveness   HI

(different local needs)

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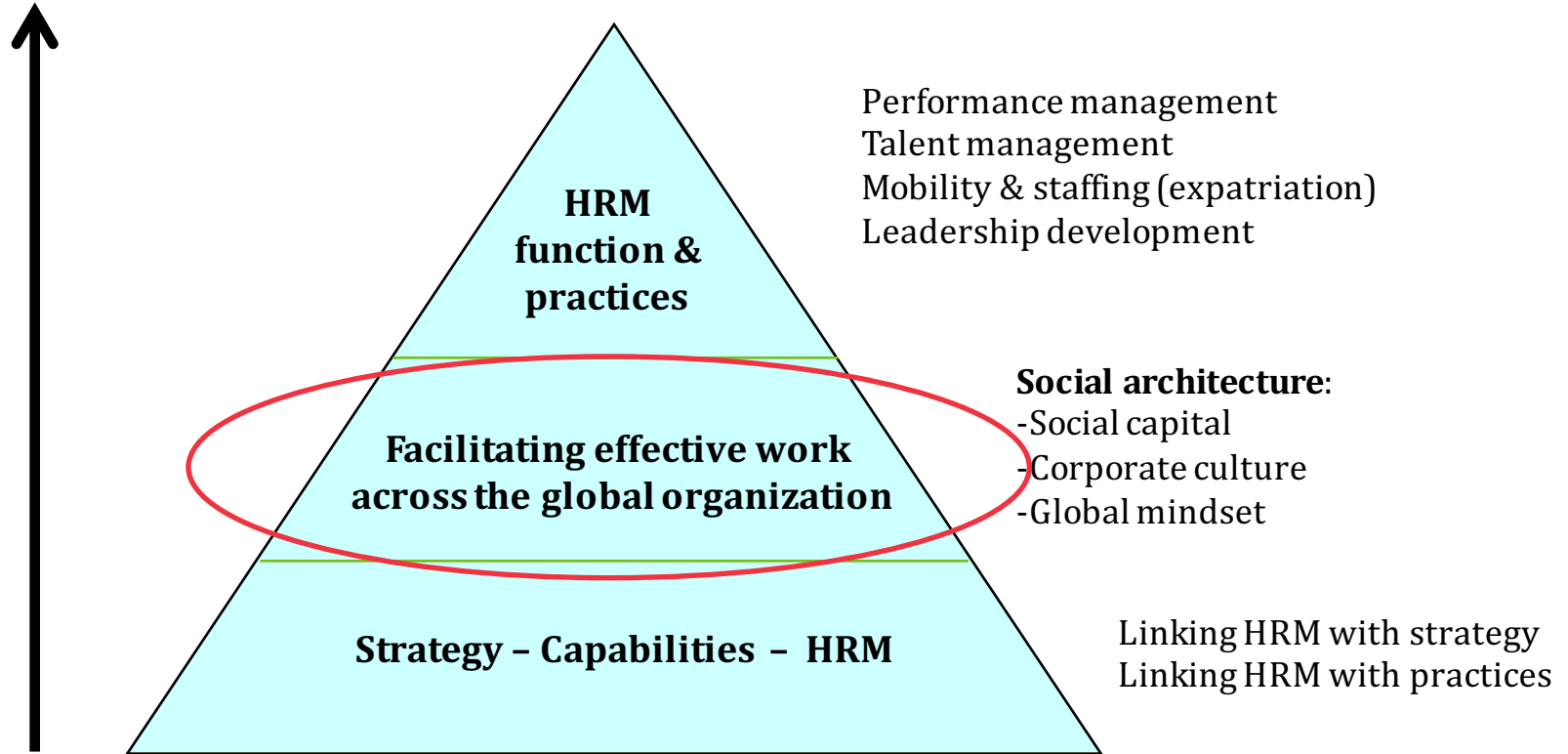School of Business

Doz & Prahalad: I-R framework

Important to remember!

These are archetypes

- Real firms are not clear-cut types, but have different degrees or tendencies of global integration and/or local adaptation

- Different strategies may be needed with different divisions/product groups/markets/customers

Global Human Resource Management

HRM function & practices

Facilitating effective work across the global organization

Strategy – Capabilities – HRM

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Social architecture:
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Linking HRM with strategy
Linking HRM with practices

Three dimensions of social architecture

1. Social capital

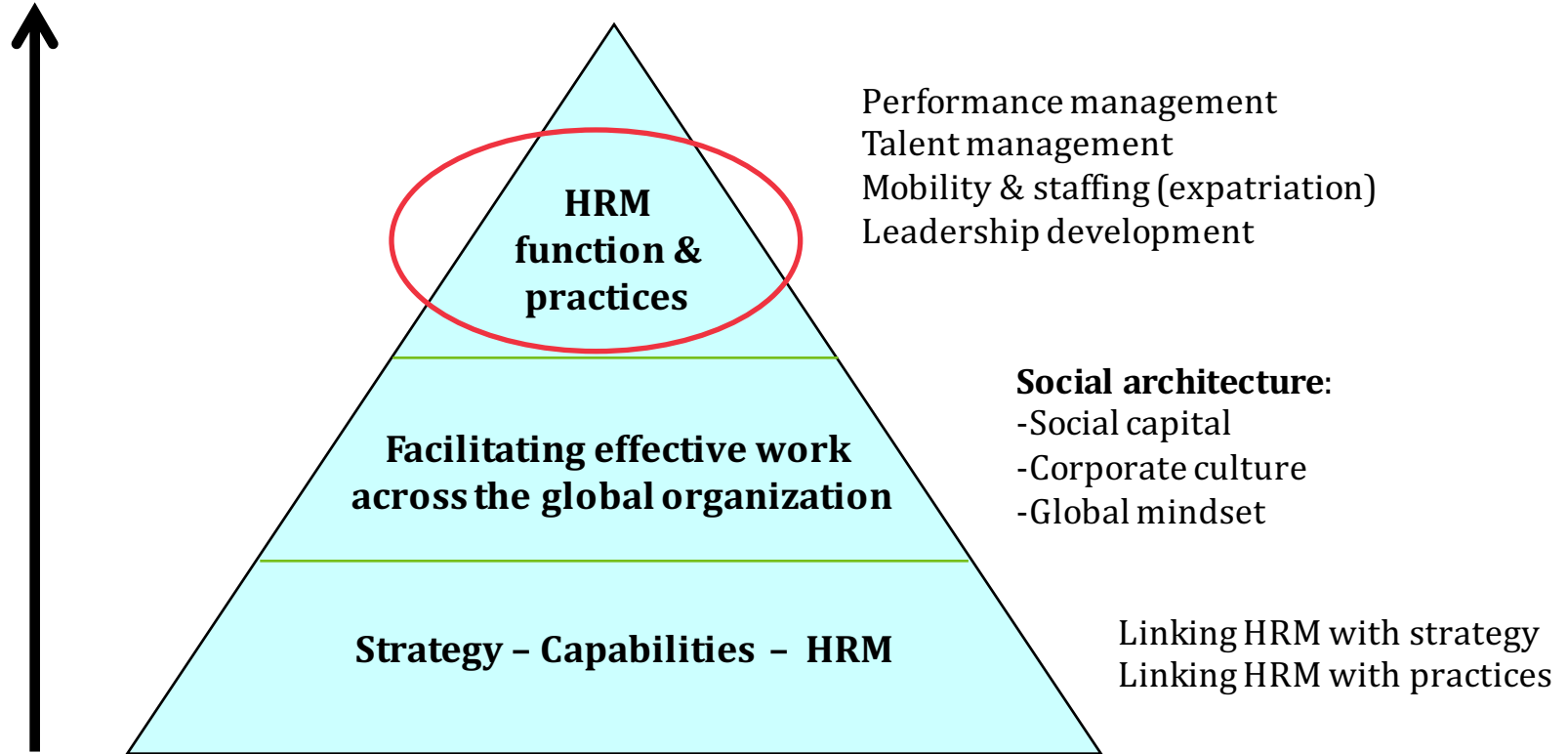- *Relationships among employees, foundation of social architecture*

2. Corporate culture: Shared values, norms, and beliefs

- *The content and strength of the culture of the organization*

3. Global mindset

- The openness of individuals towards other nations and cultures, and the ability of people to balance the firm's competing priorities

Global Human Resource Management

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Strategy – Capabilities – HRM

Linking HRM with strategy
Linking HRM with practices

Key HRM practices

- **Recruiting**
  - attracting and selecting the right people
- **Staffing**
  - right people in the right places locally and globally
- **Performance management**
  - evaluation and continuous improvement of employees' work contributions in line with company objectives
- **Talent management**
  - selecting, developing and retaining high-potential employees
- **Training and development**
  - developing people's skills and knowledge
- **Compensation & rewards**
  - effective management of salaries and benefits
- **Industrial relations**
  - working with labour unions

HRM functions
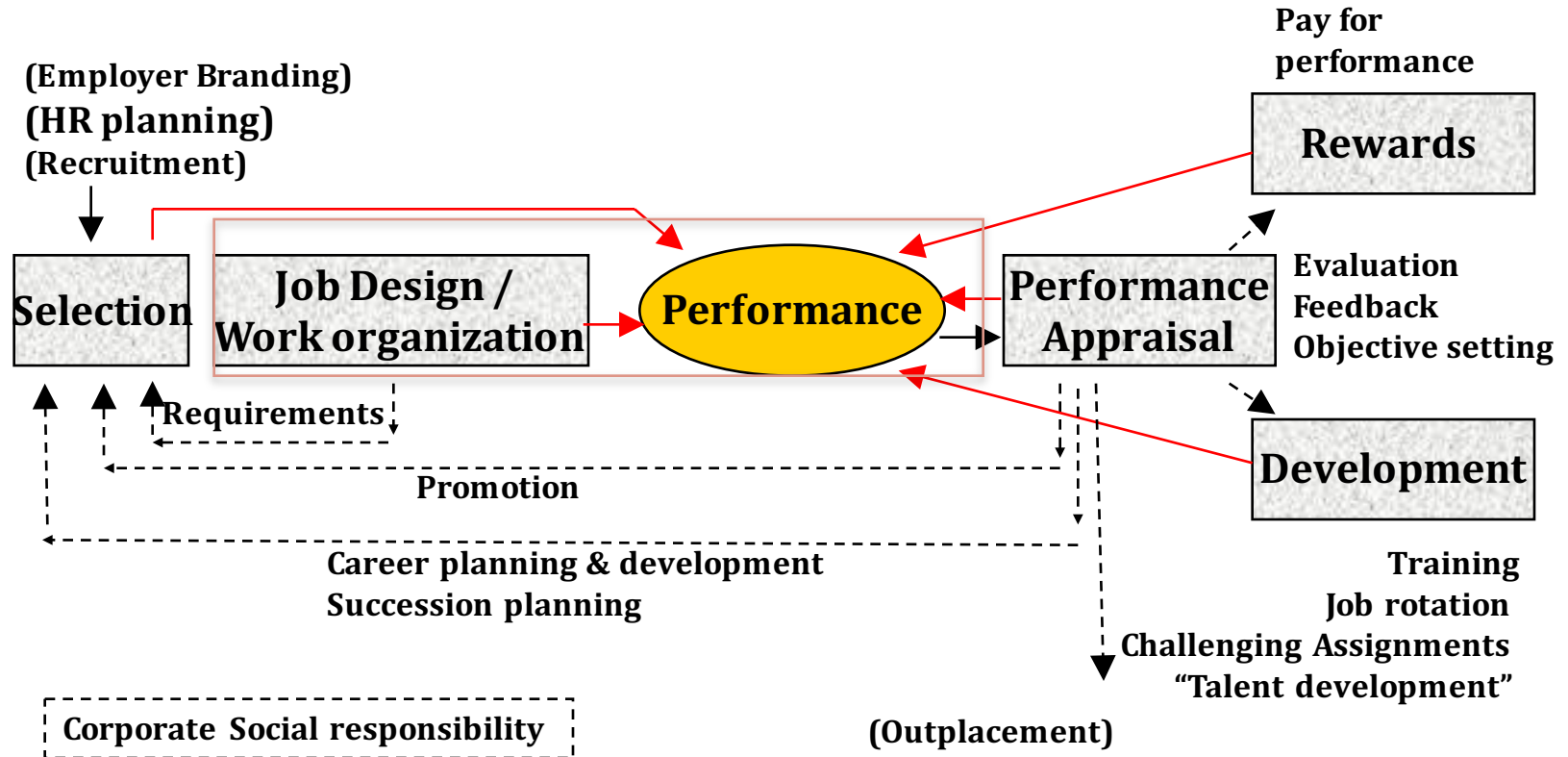
The importance of FIT

Whatever you are doing, it has to

- **Fit with <u>strategy</u>**
- **- Fit with <u>corporate culture</u>**
- **Fit <u>across the different practices</u>**

Otherwise:

HRM practices

Staffing

Staffing Policy

Staffing policy is concerned with the selection of employees for a particular job

- It involves selecting people who have the right skills for a particular job
- It also involves developing and promoting the **corporate culture** of the firm: the organization's norms and value systems

Staffing Policy (2)

Types of Staffing Policies

- The **ethnocentric approach**: key management positions are filled by parent-country nationals

- The **polycentric approach**: host country nationals manage local subsidiaries and parent country nationals hold positions at HQ

- The **geocentric approach**: the best people are sought for key jobs throughout the organization, regardless of their nationality
    - *The most attractive policy is the geocentric approach, however it is not always easy to implement*
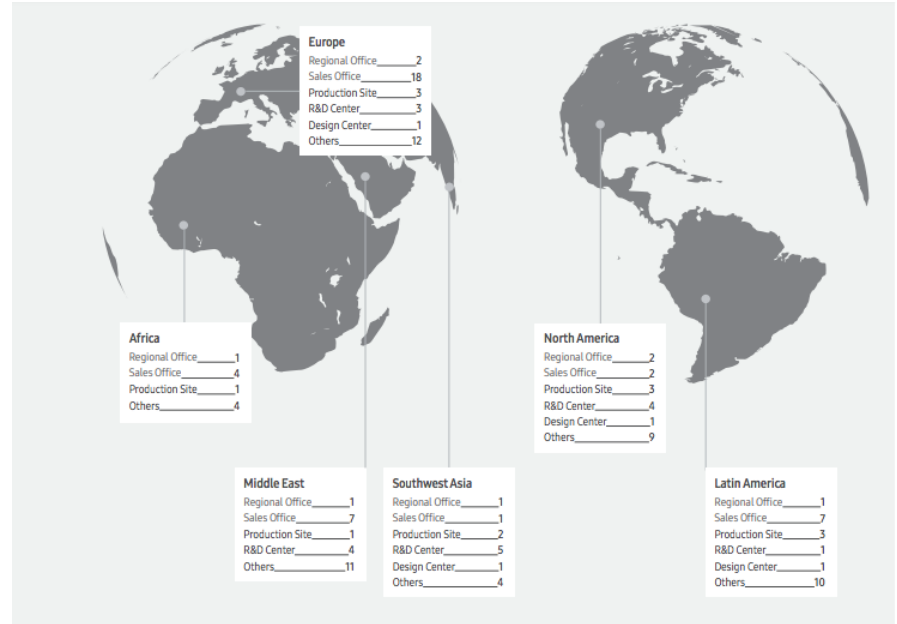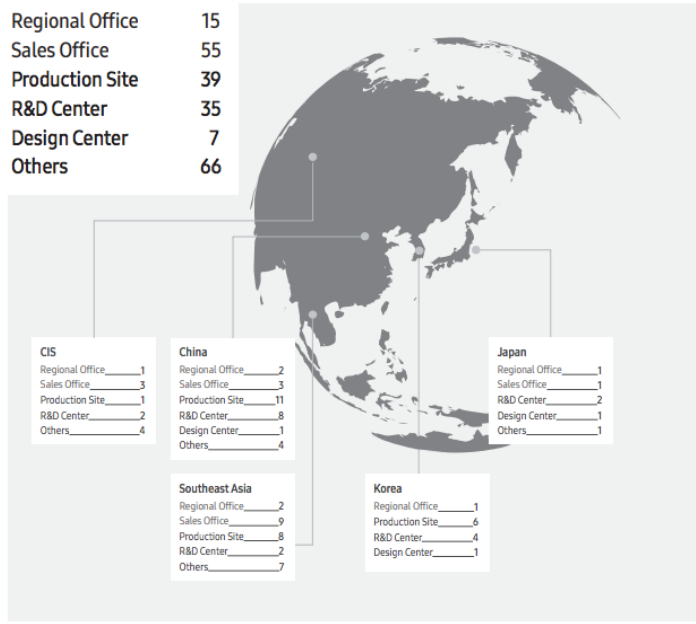
Samsung Electronics – in-class exercise

Explore the official global site of Samsung Electronics samsung.com, visit Samsung's site of other countries, and answer the following questions:

1. What staffing approach does Samsung Electronics employ?
2. What are the advantages and disadvantages of it?

Samsung Electronics – global presence

Regional Office	15
Sales Office	55
Production Site	39
R&D Center	35
Design Center	7
Others	66

CIS
Regional Office	1
Sales Office	3
Production Site	1
R&D Center	2
Others	4

China
Regional Office	2
Sales Office	3
Production Site	11
R&D Center	8
Design Center	1
Others	4

Japan
Regional Office	1
Sales Office	1
R&D Center	2
Design Center	1
Others	1

Southeast Asia
Regional Office	2
Sales Office	9
Production Site	8
R&D Center	2
Others	7

Korea
Regional Office	1
Production Site	6
R&D Center	4
Design Center	1

Europe
Regional Office	2
Sales Office	18
Production Site	3
R&D Center	3
Design Center	1
Others	12

Africa
Regional Office	1
Sales Office	4
Production Site	1
Others	4

North America
Regional Office	2
Sales Office	2
Production Site	3
R&D Center	4
Design Center	2
Others	9

Middle East
Regional Office	1
Sales Office	7
Production Site	2
R&D Center	4
Others	11

Southwest Asia
Regional Office	1
Sales Office	1
Production Site	1
R&D Center	5
Design Center	1
Others	4

Latin America
Regional Office	1
Sales Office	7
Production Site	3
R&D Center	1
Design Center	1
Others	10

320,671 Employees

73 Countries

2,436 Suppliers (First tier)

16.8 R&D Expenditure (KRW in trillion)

Samsung Electronics – HQs CEO

Kim, Ki Nam
· Vice Chairman & CEO [2018~Present]

Kim, Hyun Suk
President & CEO [2018~Present]

Koh, Dong Jin
President & CEO [2018~Present]

Samsung Eletronics – CEOs around the world

North America

TIM BAXTER

President and Chief Executive Officer
Samsung Electronics North America

YOUNG HOON EOM

Deputy Head
Samsung Electronics North America

Nordics

Seho Kim

Nimitettiin Samsung Electronics Nordicin pääjohtajaksi ja toimitusjohtajaksi joulukuussa 2014.

Germany

Sangho Jo

Head of Samsung Electronics GmbH

Africa

Mr. Sung Yoon

CEO & President Samsung Electronics Africa

Latin America

Pedro Kim

Presidente y CEO de Samsung Electronics América Latina

Southwest Asia

HC HONG

President & CEO
Samsung Southwest Asia

Greece

Kyoung Il Min

Πρόεδρος
Samsung Electronics Hellas

Comparison of staffing approaches

Staffing Approach	Strategic Appropriateness	Advantages	Disadvantages
Ethnocentric	International	Overcomes lack of qualified managers in host nation Unifies culture Helps transfer core competencies	Produces resentment in host country Can lead to cultural myopia
Polycentric	Localization	Alleviates cultural myopia Inexpensive to implement	Limits career mobility Isolates headquarters from foreign subsidiaries
Geocentric	Global standardization and transnational	Uses human resources efficiently Helps build strong culture and informal management networks	National immigration policies may limit implementation Expensive

Perlmutter, (1969) "The Tortuous Evolution of the Multinational Corporation," *Columbia Journal of World Business*, (4) pp. 9–18

Performance management

What is performance management?

Three elements of the performance management process:

- Setting objectives (what is desired)
- Action, evaluation and feedback
- Linking the results to rewards and development

The PM cycle
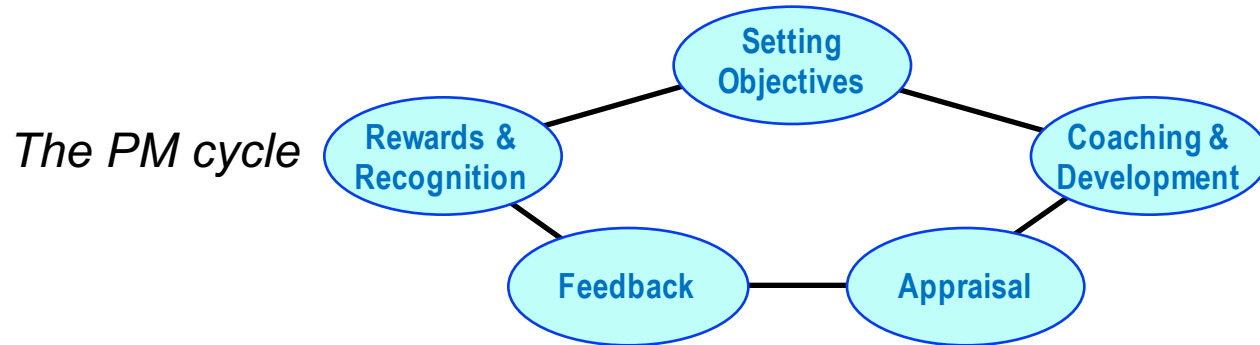
Why performance management?

- A key process of and tool for creating alignment between corporate, business, geographic and functional objectives - critical for CONTROL AND COORDINATION

- Provides clarity about people's roles, objectives, and contributions to the business

- Provides input to other HR practices (compensation & benefits, training & development, talent management), and links them to corporate objectives

Performance Appraisal

Performance appraisal systems are used to <u>evaluate employees</u>

– *These systems are important components in the firm's control system*

Performance Appraisal Problems

- Unintentional bias
- Host country managers can be biased towards their own frame of reference
- Tend to rely on hard data: productivity, profitability, market share

Performance management: Recent trends

Figure 2. Performance management: Old rules vs. new rules

Old rules	New rules
Performance appraisals and goal-setting conducted once per year	Check-ins conducted quarterly or more frequently; regular goal-setting occurs in an open, collaborative process
Feedback collected by manager at end of year	Feedback collected continuously and easily reviewed at end of year (often through apps and mobile tools)
Goals kept confidential with focus on individual achievement	Goals made public and transparent with increased focus on team achievement
Employees evaluated by their manager	Managers also evaluated by their employees
Employees force-ranked on a quantitative scale	Employees rated on a qualitative scale; rankings considered, not forced
Compensation kept confidential and focused on equity; bands based on performance ratings	Compensation levels more transparent, more frequently discussed, and focused more on pay for performance than on equity
Managers focused on evaluating performance	Managers focused on coaching and developing people
One leader evaluates each individual in a qualitative, opinion-based process	Many contribute to an individual's performance evaluation; evaluation draws heavily on data
Process considered to be a burden and waste of time	Process is agile, faster, continuous, and lighter

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15 min. break

Expatriates

Who is an expatriate?

- an employee who is working and temporarily residing in a foreign country

- some firms prefer to use the term 'international assignees'

- expatriates are parent country nationals (PCNs) from the parent country operations, third country nationals (TCNs) are transferred to another subsidiary, and host country nationals (HCNs) transferred into the parent country (impatriates)

- a person transferred to an overseas post in a professional or managerial capacity for employment in that country

- change in organisational status, age and gender issues over time
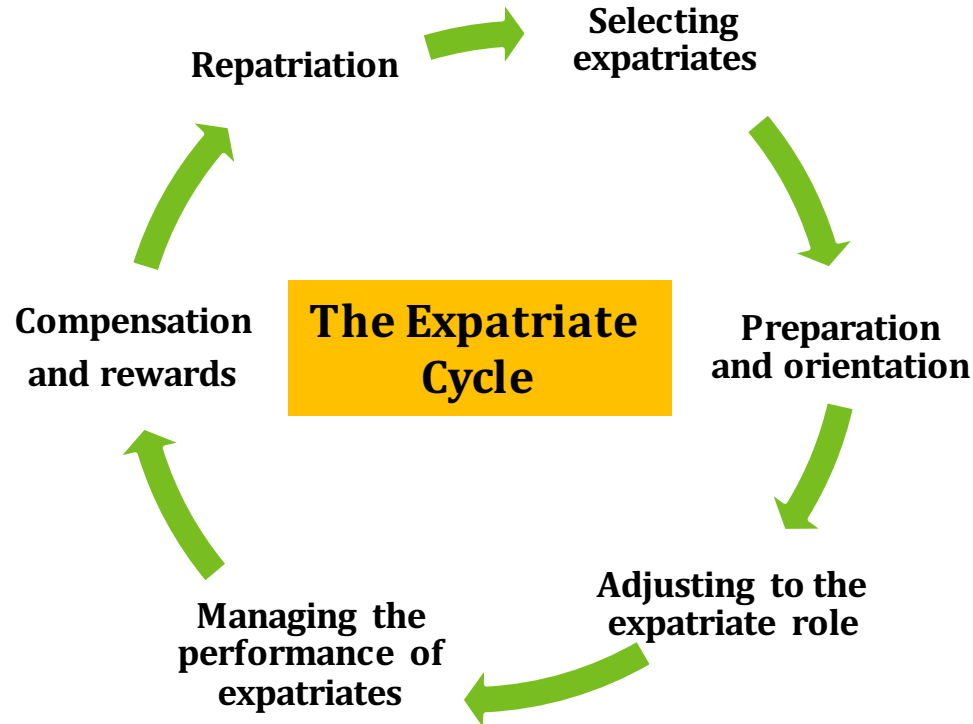
- repatriates

Expatriation: Some recent trends

- The number is still increasing, but in particular short-term assignments (less than a year), commuter assignments and virtual assignments (involving considerable travelling)
- More self-initiated moves abroad
- Less MNC home country expatriates, more third country nationals
- More female expatriates
- More horizontal transfers among foreign units
- From expatriation to inpatriation (to headquarters)
- More 'business as usual' with less generous compensation and benefits than in the past
- Perceived insecurity of expatriation (no job guarantee)

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Managing the expatriation process

The Expatriate Cycle

Repatriation → Selecting expatriates → Preparation and orientation → Adjusting to the expatriate role → Managing the performance of expatriates → Compensation and rewards → Repatriation

Managing the expatriation process

- All elements in the expatriate cycle are important:
  - Selecting expatriates
  - Preparation and orientation
  - Supporting adjustment to the expatriate role
  - Managing the performance of expatriates
  - Compensation and rewards
  - Repatriation
- The issues in the later stages have to be considered early – for example, repatriation has to be taken into the account already during the selection

Expatriation is a process, not an event!

Selecting expatriates

Expatriate Managers

- Ethnocentric and geocentric approaches rely on expatriate managers
  - *Firms that use expatriates must consider the problem of **expatriate failure**: the premature return of an expatriate manager to the home country*

Expatriate Selection

- Expatriate failure rates can be reduced through better selection procedures
- Mendenhall and Oddou identified four dimensions that predict expatriate success
    1. *Self-orientation*
    2. *Others-orientation*
    3. *Perceptual ability*
    4. *Cultural toughness*

Training for expatriate managers

- **Cultural training**: seeks to foster an appreciation for the host country's culture

- **Language training**: improves the effectiveness of managers and helps them better relate to the foreign country

- **Practical training**: helps the expatriate manager and family ease into day-to-day life of the host country

Compensation for expatriate managers

Expatriate Pay

- The most common approach to expatriate pay is the balance sheet approach
  - *Equalizes purchasing power across countries so employees can have the same standard of living in the foreign country as they do at home*
- Typical compensation packages include
  - *Base salary*
  - *A foreign service premium*
  - *Allowances of various types*
  - *Benefits*
  - *Tax differentials*

Repatriation

- Managers need to be prepared for reentry into their home country organization
- This involves HRM planning
  - *The role of the employee in the home country at the end of the assignment*
  - *How to utilize the knowledge the employee acquired while abroad*

Mini-case study

Read the mini-case 'Expatriates at Royal Dutch Shell' and answer the following questions:

1. Discuss the results of Shell's survey to its present and past expatriates and families. How do these results compare to the results of other studies exploring expatriate failure?

2. Shell has implemented several changes to its expatriate program including providing education assistance to families with children, and establishing a Spouse Employment Center to help locate employment opportunities. In your opinion, will these programs "solve" Shell's problems, or is there still more to be done?

3. How would you design a repatriation programme for Shell? What would the main features be?

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Thank you and over to you next week ☺