

PREFACE:

This topic discusses how internal and external environmental factors affect HR strategies.

2- GLOBAL COMPETITIVENESS AND STRATEGIC HR

The globalization of business has meant that more organizations now operate across borders with ties to foreign operations, international suppliers, vendors, employees, and other business partners. A global presence can range from importing and exporting to operating as a multinational corporation (MNC).

An MNC, sometimes called a “transnational corporation,” is a corporation that has facilities and other assets in at least one country other than its home country. Because human resources are considered assets, the definition of MNC covers a large number of companies.

2-1 Global Framework

Mastering the global complexities of managing human resources is important not only for HR results, but also for the overall success of the organization. Companies operating globally must deliver basic HR services while also overcoming various operational, cultural, and organizational obstacles. Even organizations that operate primarily in the domestic market face pressure from foreign competitors. The supply chain is increasingly internationally dispersed, and foreign business practices influence operations in the United States. Technology advances have eliminated many barriers to operating on a global scale. In addition, workers from numerous countries may seek employment in the United States, and managers and HR professionals must be prepared to deal with the needs of this labor force.

Having a global HR mind-set means looking at HR issues from an international perspective, using ideas and resources throughout the world, and ensuring openness to other cultures and ideas. To effectively compete on an international scale, the organization needs expertise to administer all HR activities in a wide range of nations. Policies and practices should be established to address the unique demands for operating in a global context.

Managers determine which policies should be standardized and which should be tailored for each locale. For example, the organization may decide to standardize talent development and succession planning but permit local managers to establish compensation and labor relations policies. An ideal international approach strikes a balance between home-country and host country policies that utilizes the best practices within the organization.

2-2 Global Legal and Regulatory Factors

Globally-operating organizations must be aware of widely varying legal and regulatory systems due to politics, economic differences, and other factors. Emerging economies, in particular, pose major challenges to smooth operations and reliable conditions. Having to know about and comply with laws on many HR-related issues is crucial. Therefore, senior executives and HR professionals must review each country's legal and regulatory factors, both before and during ongoing operations. Also they must be trained in how to deal with the nuances of the requirements in each country.

2-3 Offshoring

Competitive pressure to lower costs has resulted in many jobs being moved overseas in recent years. Offshoring is the relocation by a company of a business process or operation from one country to another. Firms offshore the production of goods as well as the delivery of services to lower-wage countries. Call centers in India are an example of business service offshoring to countries with well-educated, English-speaking workers. Product and software development projects are increasingly being offshored due to the loss of science and engineering talent in the United States. Predictions are that offshoring will increase in the future, and few firms have plans to return offshored jobs to the home country.

Decisions to offshore operations are made as part of a broader strategic assessment. Economic conditions in both the domestic and global marketplace, the loss of intellectual talent and institutional knowledge, and the potential for lower quality are all issues that managers face. To maximize the success of offshoring, organizations should utilize the following approaches:

- ❖ Design work processes to allow workers to hand off the project from one to the next.
- ❖ Open the channels of communication by investing in technologies to support real-time interaction.
- ❖ Build common ground by sharing knowledge across locations.

2-4 Global Staffing

Staffing for global operations includes a wide variety of alternatives. The optimal solution is to combine the expertise of local employees with the organization-specific knowledge of employees from the home country (headquarters). Some countries require that the organization employ a certain percentage of workers from the host country. **Figure 03** shows four strategic approaches to international staffing. Each organization will use a staffing model that best fits its culture and strategic goals.

An expatriate is an employee living and working in a different country from where he or she is a citizen. Moving an employee to an overseas assignment for an

extended period requires careful selection, training, and planning to make the experience a success. The return of an expatriate (called repatriation) must be well planned and executed for the organization to gain the benefits of the overseas assignment.

Leadership development is especially important for MNCs. It is becoming more important for individuals in top management positions to have international experience so that they understand the worldwide marketplace. Effective selection and development processes are needed to ensure that the right individuals are chosen for these roles. Leading across cultures requires specific skills, and organizations should provide formal training along with expatriate assignments to develop leaders who can achieve results in this demanding environment.

