

Strategic Human Resource Management

Jeffrey A. Mello

Fifth Edition



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**LLF Strategic Human Resource
Management, Fifth Edition**
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Library of Congress Control Number: 2017958418

ISBN: 978-1-337-61999-8

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How Global HRM Differs From Domestic HRM

Despite the fact that the core principles of strategic HR management also apply to global HR management, global HR presents some unique contingencies. First, managing people in global settings requires HR to address a broader range of functional areas. These areas include clarifying taxation issues; coordinating foreign currencies, exchange rates, and compensation plans; and working directly with the families of employees who may be accepting overseas assignments. Second, it requires more involvement in the employee's personal life. The employee is usually assisted with acquiring housing in the host country; selling or leasing domestic accommodations; locating recreational and cultural opportunities for the employee and family; arranging and paying for school for the employee's children; and locating and securing domestic help for the employee. Third, the organization must often set up different HR management systems for different geographic locations. Fourth, the organization is often forced to deal with more complex external constituencies, including foreign governments and political and religious groups. Finally, global assignments often involve a heightened exposure to risks. These risks include the health and safety of the employee and family; legal issues in the host country; possible terrorism; and the human and financial consequences of mistakes, which may greatly exceed the costs of those made domestically.

The threat of terrorism has added to many of the anxieties employees face when considering and undertaking a global assignment. A recent survey found that expatriates need and want more support from headquarters than they are receiving regarding health and safety concerns; only 20 percent responded that their employers were keeping them sufficiently informed about health and safety issues.³ Dissatisfied expatriates can be expensive for an organization: The average cost of a three-year assignment abroad is \$1.3 million.⁴ In addition, concerns about the employee's and/or family safety can diminish productivity and cause stress. Consequently, employers need to communicate with—and provide the needed support for—expatriates about their safety to ensure that the assignment is a success.

The decision to expand globally first involves determining the appropriate strategy for involvement in the host country. For example, the organization may decide to simply export its goods to a foreign country; this might require very limited presence on the part of domestic employees. The organization might also decide to subcontract or license certain goods and services to a foreign partner. On a slightly more involved scale, a joint venture might be undertaken abroad with a foreign partner. Finally, the organization could decide to establish a significant presence abroad by setting up operations in the form of a foreign branch office or subsidiary.

Assessing Culture

Several factors will influence the level of involvement an organization might choose in its foreign operations. Economic, market, social, and political conditions will certainly play a significant role in any decision to go abroad. A larger issue might be the culture of the host country and how it compares to the national culture of the organization's home. National cultures differ on a variety of dimensions, and many global undertakings fail because of a lack of understanding or appreciation of cultural differences.

One of the most popular models of cultural differences among countries was developed by Hofstede, who explained cultural differences along four dimensions.⁵ The first dimension is the extent to which a society emphasizes individualism or collectivism. Individualistic societies value the development of and focus on the individual; collectivistic societies value togetherness, harmony, belongingness, and loyalty to others. The second dimension is power distance. This dimension looks at the extent to which a society is hierarchical, with an unequal distribution of power among its members, as opposed to one where there are few distinctions and power is more evenly distributed among individuals. The third dimension is uncertainty avoidance, which refers to the extent to which the

society feels comfortable with ambiguity and values and encourages risk taking. The fourth dimension is the extent to which the society displays “masculine” or “feminine” tendencies. A masculine society is one that is more aggressive, assertive, and focused on achievements; the feminine society is one that emphasizes interpersonal relationships and sensitivity toward the welfare and well-being of others. Although many are uncomfortable with the sexist connotations of *masculine* and *feminine* and the stereotypes they encourage, this dimension does significantly explain many differences in cultural behavior in societies. Some researchers who have applied Hofstede’s work have substituted *quantity of life for masculinity* and *quality of life for femininity*. Exhibit 14.1 illustrates how a number of countries fit Hofstede’s model of culture.

Another well-known model that explains differences in culture was developed by Hall, who characterized culture by the patterns with which we communicate.⁶ His work focused on the more subtle means by which we express and display our culture. These means might not be evident to someone from outside the culture, but they are understood and accepted by insiders. Hall’s model describes culture in terms of five silent “languages”: time, space, material goods, friendships, and agreement.

The language of time considers how we use time to communicate and how we use it to manage our daily lives. For example, how much do individuals in the culture rely on schedules, appointments, and deadlines? Is it considered appropriate to keep someone waiting for a meeting? Do meetings usually have a timed agenda? Are meetings and appointments scheduled with an ending time or are they open ended?

The language of space considers how we communicate through space and distance. For example, what is considered the appropriate physical distance between two people engaged in a conversation? Friendship, formality, and even intimacy are often communicated by distance. How are spaces in organizations arranged to communicate rank, power, and status? Does an organization have private offices and/or designated parking spaces? Are some offices larger than others?

EXHIBIT 14.1

Examples of Hofstede’s Cultural Dimensions

Country	Individualism-Collectivism	Power Distance	Uncertainty Avoidance	Quantity of Life*
Australia	Individual	Small	Moderate	Strong
Canada	Individual	Small	Low	Moderate
England	Individual	Small	Moderate	Strong
France	Individual	Large	High	Weak
Greece	Collective	Large	High	Moderate
Italy	Individual	Moderate	High	Strong
Japan	Collective	Moderate	High	Strong
Mexico	Collective	Large	High	Strong
Singapore	Collective	Large	Low	Moderate
Sweden	Individual	Small	Low	Weak
United States	Individual	Small	Low	Strong
Venezuela	Collective	Large	High	Strong

*A weak quantity-of-life score is equivalent to a high quality-of-life score.

Source: G. Hofstede, “Motivation, Leadership, and Organization: Do American Theories Apply Abroad?” *Organizational Dynamics*, Summer 1980, pp. 42–63.

The language of material goods can be similarly used to signify power, success, and status. In some cultures, these indicators are of critical importance in establishing one's personal and professional identity. In an organizational setting, this language might be communicated through generous perks such as a company car and might be further evidenced by executive salaries that are many times those of lower-level workers. Organizations that establish and maintain pay compression plans are attempting to silence this kind of language.

The language of friendships considers how we form interpersonal relationships. For example, are friendships formed and dissolved quickly or are they built on a foundation over a long period of time? Is there a mutual sense of ongoing obligation in interpersonal relationships or are they more transient and maintained only as long as both parties see some benefit? Some cultures communicate status via material goods; other cultures communicate status through one's network of friends and the support this network provides.

The language of agreement considers how consensus is reached among people. For example, are formal, written contracts signed under an oath of law the norm in business negotiations or is a simple handshake sufficient guarantee? Is it acceptable to debate someone with whom you do not agree and, if so, is it acceptable to debate in front of others?

A key issue that impacts an organization's success in the global arena is an awareness of cultural differences and the development of both a business strategy and corresponding HR strategy that is consistent with the culture of the host country. Although it is beyond the scope of this chapter to detail how cultural differences might impact people management systems, a culture in which negotiations are based on trust and friendship that is built over time might pose some difficulty for an American, who might be used to getting down to business and negotiating without developing any kind of interpersonal connection. Also, the candor and outspokenness for which Americans are known could conflict with the styles of those from other cultures. In short, when cultures come together in organizational settings, special consideration must be paid to managing processes such as power dynamics and relationships, norms of participation and decision making, and performance management and compensation systems to prevent misunderstandings.

Much as societies have cultures, organizations also have their own cultures. As a result, decision makers need to examine the interface between the culture of the organization and the culture of the host country in determining whether an appropriate fit exists and, subsequently, in developing an optimal business strategy and appropriate HR management strategies. For example, if the organization strongly values diversity, what will be done when a host country's culture fails to support these values? In many cultures, it is acceptable to discriminate on the basis of gender, race, ethnicity, age, disability, and sexual orientation. Does the organization extend its ban on smoking to all overseas locations? Will it prohibit facial hair on employees or prohibit employees from enjoying a glass of wine with their lunches? What will happen in a culture in which bribes are an accepted and expected means of conducting business?

In going abroad, an organization needs to decide what HR policies will be implemented in the host country and needs to make these decisions prior to arrival. These decisions will force top managers to confront a number of ethical decisions and may test the strength of the organization's culture. Conflict issues will need to be resolved relative to incompatible local and corporate cultures. Decision makers need to understand which values the organization holds so deeply that it will not compromise, even in the face of significant financial consequences. Although these ethical decisions can present difficult choices, they can help to strengthen the organization's mission, strategy, and employment practices.

National culture can have a significant effect on an organization's ability to utilize strategic HR. A culture that is oriented toward tradition, for example, might not understand the logic of, or resist, any kind of planning. Certain cultures have stringent rules regarding staffing and may require the organization to employ individuals assigned to it by a centralized labor bureau. Individuals in some very strict hierarchical cultures would probably not respond well to upward performance feedback programs. In some cultures, it is considered inappropriate for a worker to report to a manager who is younger than the subordinate. The inappropriateness of using direct eye contact in conversation in some cultures might bias the results of the employment interview process. Where a culture fits on the individualism-collectivism continuum would

influence how it defines acceptable performance and appropriate compensation. Consequently, in managing across cultures, it is critical to have a strong sense of cultural self-awareness yet remain aware that oversensitivity to cultural issues can be as detrimental as undersensitivity. Reading 14.1, “In the Eye of the Beholder: Cross-Cultural Lessons in Leadership From Project GLOBE,” examines the similarities and differences of the cultures of five major world countries and the implications for both American executives in each of these countries and for the development of effective global leaders.

Regardless of where an organization is physically located, it is essential that employees gain a strong global mindset and understand cultural differences. Technology allows employees to work from remote locations and organizations to source the best available talent globally. Employees are increasingly likely to work with team members they have never met in person and may never meet in person. Customer bases and potential future customer bases are no longer limited to those in close proximity of an organization. Ongoing success requires a true global mindset for an increasing number of organizations as competitors take advantage of the global workforce and marketplace.

Following the models of culture and cultural differences developed by Hofstede and Hall, several notable differences in how business is conducted across cultures need to be understood. First, communication can be direct and explicit or indirect and implied. Second, business relationships can be highly formalized and noted in writing or established and maintained more informally, based on trust. Third, decision making can be very formal, hierarchical, and centralized or more egalitarian and decentralized. Fourth, conflict can be embraced and seen as a source of power or discouraged and avoided due to its potential damage to relationships. Finally, meetings can be formalized with prompt agendas and start and finish times or they may be more flexible.

Strategic HR Issues in Global Assignments

An organization can use several different approaches in managing the process of sending workers abroad. An administrative approach involves merely assisting employees with paperwork and minor logistics—for example, hiring movers, ensuring that taxes are paid, and obtaining a work visa for the employee and travel visas for family members. A tactical approach involves managing the risk or failure factor—for example, handling the administrative paperwork while also providing limited, usually one-day, training for the employee. This approach does only what needs to be done to prevent failure. A strategic approach to global assignments, however, involves much more support and coordination. In addition to those items cited previously, strategically managing such a process would involve adding extensive selection systems; ongoing, integrated training; a specific performance management system; destination services; and a strategized repatriation program at the end of the assignment.

A model that outlines the strategic HR issues in global assignments is presented in Exhibit 14.2. The first step in the strategic management of global assignments is the establishment of a specific purpose for the assignment. There may be numerous reasons for the assignment, including business or market development; the setup, transfer, or integration of information technology; management of an autonomous subsidiary; coordination or integration of foreign with domestic operations; a temporary assignment to a vacant position; or the development of local management talent.

After the purpose of the assignment has been identified, the process of selecting an appropriate employee for the assignment can commence. Much as there is an organizational purpose for the assignment, there should also be an individual purpose for the assignment, as indicated in Exhibit 14.3. An employee could be chosen for and accept an international assignment to prepare that employee for a top management position, develop further technical or interpersonal skills, or allow an employee to follow a dual-career spouse/partner.

Both the organizational and individual purposes for the assignment must be identified and matched. The assignment needs to be conceptualized as a win-win proposition. There should be clear articulated gain for both the organization and the employee as a prerequisite to success on the assignment.