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STRATEGIC AND INTERNATIONAL CONSIDERATIONS FOR ELECTRONIC HRM

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CHAPTER OBJECTIVES

After completing this chapter, you should be able to

- 2.1 Contrast the three types of HRM strategies and the environments in which they are most effectively used.
- 2.2 Describe the primary goals of eHRM and HRM strategies.
- 2.3 Discuss how eHRM innovations influence HRM and HRM professionals.
- 2.4 Discuss how operating globally affects an organization's strategic opportunities and HRM operations.
- 2.5 Describe how operating as a multinational enterprise influences the delivery of HRM practices and programs.
- 2.6 Discuss the challenges organizations face when designing and using an HRIS to support a global workforce.

EDITORS' NOTE

The authors of this chapter focus on an organization's overall strategy and its alignment with unit strategies across the organization, which is especially important for those organizations operating globally. The authors start by discussing organizational strategy and how HR can help support this strategy. They then discuss how infusing technology into HR processes, what they call electronic human resource management (eHRM), can support both HRM and organizational strategies. From there, they discuss how eHRM can be adapted to support different HRM strategies up to and including outsourcing parts (or all) of the HRM function.

From there, the authors turn to the role of an HRIS for those organizations who operate in multiple countries. For many organizations, “going global” is a necessary part of competing, but it can bring with it some of the most important strategic issues for management of HRM and HRIS. Thus, the authors focus on the issues that can arise both organizationally and technologically when managing a global workforce, highlighting the significant differences between domestic HRM and international human resource management in multinational enterprises. In addition, the authors discuss some of the key HRM issues involved in an international organization. Further, global operations pose several additional complexities and challenges for data collection, management, and use, as well as for the design, development, implementation, and use of an HRIS. These challenges are discussed by the authors throughout the chapter.

INDUSTRY BRIEF

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Increase revenue! Increase profits! Increase market share! Innovate! Attract the best talent! There is tremendous pressure on domestic [e.g., United States] companies to “do more with less” and to do it “the right way.” With increasing labor shortages in most key sectors, and decreased patience by Wall Street and private equity financiers in how quickly a company should grow and expand, today’s strategic decisions must look outside our borders for creative answers to key business questions such as “how do I lower cost while producing more?”; “how can I be more profitable through innovation while not being able to spend more on R&D?”; and “how do I service my customers around the clock?” Expectations are sky high. Corporate management needs to excel in all areas now! Companies are thus forced to look to options outside the U.S. borders to increase the ability to scale with cheaper resources while striving to expand market share, while innovating to levels they never have before.

This expansion has come in two forms. First, domestic companies are opening offices in off-shore locations to reap the benefits of the economics those countries have to offer. In addition, around the world innovative companies are sprouting up that are focused solely on partnering with first-world country companies to meet today’s demand through well-trained and flexible workforce options. The desperate search for cheaper trained labor, more flexible employees, and in some cases less involvement from labor unions, have produced promising results as U.S. companies have become more competitive, but they have also become more reliant on their international strategies. This has greatly changed the role of Human Resources management at these companies as HR becomes more strategic in helping companies reach their top and bottom lines through policies and strategies that stretch around the globe.

This opportunity to solve a host of current manager problems by working with a global workforce, of course, comes with a host of acute issues for Human Resources. First and foremost, it is a challenge to manage the culture of a workforce that is both multicultural and working on teams that span thousands of miles and multiple time zones. Whether working with internal employees or a business partner overseas, there is frequently resentment as jobs and focus leave the United States and move towards the lower cost locations.

There are also the challenges of higher employee attrition rates that are prominent in many of the offshore option sites, as well as the process of attracting and recruiting top talent, retaining that talent, and compensating in line with local market demands. Managing this workforce is a new dynamic for U.S. companies as they learn to deal with issues such as what motivates employees from other cultures, how to accommodate for their differences in working habits, and how to hold international employees accountable for results.

Companies looking to solve their core business issues with strategic international plans can solve these issues only if they actively confront and have a strategy for how to solve the issues that come with the strategy. This typically falls on the Human Resource team. They will be responsible for developing programs and a culture that is attractive to both the domestic employees as well as the additional labor markets with which they choose to align. This results in HR's role being very different than it was even a decade ago, as the specialists needed for HR to succeed expand exponentially. For instance, having someone with a deep knowledge of the local labor laws where business is being done is now critical. An acute knowledge of localized benefit plans, compensation expectations, local holiday schedules, satellite vacation expectations, etc., all become an important focus of the Human Resources function and a critical aspect to the overall success of the strategy.

In addition, in looking to expand to global markets for revenue opportunities, as well as to enhance their current workforce, domestic companies need to consider localized data privacy laws, technologies that cross over country borders, and the battle for data ownership. As strategic workforce planning becomes key to strategic decision to move overseas, more and more pressure is placed on Human Resources to provide critical data points so that the right decisions can be made, so that business objectives are in line with the realities of the landscape within which they operate.

It can be said that the move to solve core business issues with an international strategy has put the Human Resources function at the head of the table in the boardroom as a critical, and active, part of strategic decision making. As we move forward, more deeply into the global work world, it becomes increasingly important to continuously reevaluate and change. Offshore companies that support the growth of U.S. companies are also being courted by other first world countries (United Kingdom, France, Germany, Canada, etc.) creating competition and conflicts. Sometimes these offshore companies become too expensive over time, resulting in a strategy to move to even lower cost countries and options. As we move deeper into the 2020's and beyond, it will be those domestic companies that operate with a well-defined complementary global strategy that will win. *This will take a strategic, well-informed, and high-performing human resource function to do so.* The stakes are high—those that resist expanding internationally will cease to be able to compete. Those that embrace the challenges and grow their human resource competency to do so will excel.

HRIS IN ACTION

Global HRIS Transformation at Nestlé

Nestlé S.A. is a multinational food and beverage company headquartered in Switzerland. It owns a vast portfolio of popular brands, such as Gerber, Nescafé, Nespresso, KitKat, Purina, and Perrier, making it one of the world's largest and most diversified consumer

goods companies. Giancarlo Pala, head of IT HR, led a multi-year human resources information systems (HRIS) transformation that culminated in the adoption of SAP SuccessFactors and established a common HR operating model and HR data model that standardized global processes and services. Important goals of this transformation were to improve the information managers used to make decisions, to improve the employee experience, and to embrace sustainable practices and inclusivity.

Nestlé also recognized the importance of balancing global processes with local innovation. For example, in China, Nestlé, adjusted their global model to align with the unique digital expectations of consumers and employees in the Chinese context. In addition, they adapted HR processes and data to align with local legal and statutory requirements when they conflicted with a global HR operating model. Nestlé also leveraged noncorporate platforms like WeChat (similar to WhatsApp) to support the communication preferences of employees, while also maintaining a common global process and data backbone.

The new HRIS has resulted in improved user experience, reduced training and support efforts, and increased efficiency. For instance, Nestlé achieved 95% automation in salary changes for nearly 80,000 employees across 90 countries, with line managers easily performing the process. Pala's team is now focusing on continuously improving this model by enhancing experiences and efficiency. To this, they explore new technologies, piloting them in selected markets, and scaling them globally upon success. For instance, they introduced an innovative chatbot for candidate experience, automating interview scheduling and providing a comprehensive candidate experience across multiple languages. They also emphasized learner experience and engaging content, driving higher adoption and integration of learning platforms. At Nestlé, the HRIS has become the platform through which all HR data and processes are enabled, providing a wealth of information that helps them meet their organizational and HR goals.

Source: <https://www.forbes.com/sites/sap/2021/11/19/nestls-hr-transformation-realizing-values-on-a-global-scale/>

INTRODUCTION

We live in an age in which technological developments succeed each other at an increasingly rapid pace (or at least that's how we experience it!). If modern technology were to suddenly break down, our morning would be full of smaller and bigger annoyances: no electronic payments, no coffee available, no Google Home responding, no direct news or social media updates, and it might not even be possible for most people to start work, because we could not use our laptops, desktops, and other electronic and digital devices. If all digital networks were to fail, panic would break out. Just like us, human resources (HR), top management, line management, and employees would not be able to start the day normally without electronic and digital resources. Even though HRM is a field by and for people, technology has become an important foundation for its practice. Whether it concerns an old-fashioned process such as employee recordkeeping or decisions about launching a new subsidiary in a different country, technology is required.

However, managing people is still the core of what HR does and whose challenges keep CEOs up at night (Mitchell et al., 2022). CEOs are concerned about tight labor markets and

demographic shifts and are actively looking to upskill employees and fill talent gaps (KPMG, 2024). Although career pathing and learning and development are important CEO priorities, 53% of surveyed CEOs are interested in adopting tech capabilities and tools that can help them achieve a competitive advantage in talent management (KPMG, 2024). Whether it is through greater access to international talent, enhancing employee and recruit experiences, or facilitating hybrid or remote work, technology has become a key facilitator of people management, supporting HRM strategy, services, and practices. This is reflected by a Gartner study that shows that 83% of HR leaders plan to increase or maintain HR technology budgets making it the #1 area of investment in HRM for the third year in a row (Kostoulas et al., 2024). For investments in technology to be most successful, particularly those in organizations with an international scope, HR leaders must align their investments in HRIS with both their organizational strategy and HRM strategy. This chapter touches on how organizations align their strategies to accomplish these goals. We then examine the strategic implications of managing human resources and HRIS in multinational organizations.

ORGANIZATIONAL STRATEGY AND HRM

Organizational strategy is an organization's plans for achieving its long-term goals and gaining a **sustainable competitive advantage** over its competitors. It is focused on making decisions about the organization's allocation of resources, defining its priorities, and setting directions for the firm.

Broadly, organizations typically pursue one of two types of strategies. The first is a **cost leadership strategy**. Organizations that pursue a cost leadership strategy aim to compete through the development of a superior cost position driven by low-cost input factors and operational excellence, including labor costs. Examples of companies that pursue a cost leadership strategy include Walmart, IKEA, and Ryanair. For these organizations, the focus of HRM is on maintaining efficiency, productivity, and tight cost management. Technology is central to ensuring efficiency and cost management in HR.

The second is a **differentiation strategy**. With this strategy, the aim is to win through a differentiated product and service offering driven by innovation, superior quality, and customer service. An example of a company that pursues a differentiation strategy is Apple. Apple differentiates itself from its competitors by offering products that are of high quality, unique and innovative products which cannot be easily duplicated. In addition, they create an ecosystem of products (e.g., iMac, iPad, iPhone, MacBooks, etc.) which increase the convenience and switching costs for customers. For companies pursuing a differentiation strategy, HR should focus on building HRM systems that attract, motivate, and retain key talent with the appropriate skill set and competencies. Agile HRM becomes critical and needs to be supported by the HRIS.

An organization's **HRM strategy** is an organization's plan to manage its people in a way that best aligns with its overall business objectives. It involves the formulation and implementation of strategies, policies, and practices related to recruiting, training, retaining, and developing employees to support the organization's goals. These policy choices are the starting point for the HRIS strategy at all levels, but even more so for organizations with international operations.

In addition, HRM becomes a critical function in the management of organizations' ESG (Environmental, Social, Governance) strategies, especially in the “S” pillar of ESG. HRM can support three critical social aspects of the “social”:

1. Addressing social issues within the workforce (e.g., diversity, equity, inclusion, belonging, etc.)
2. Addressing human rights issues of employees in supplier companies across global supply chains.
3. Protecting the interests of local communities impacted by the organization's global business activities.

With extensive reporting and disclosure requirements, the availability of global data and metrics, including the data of external parties like international suppliers, has gained significant importance, and a robust global eHRM strategy and system becomes a new success-critical factor in international HRM. In this chapter, we explore the linkages between organizational strategy, HRM strategy, and electronic human resource management.

The implementation of an HRIS provides HR managers with the opportunity to update and change their processes so that they are technology enabled. This technology-enabled collection of HRM processes has been called **electronic human resource management (eHRM)** and reflects a new way of “doing” HRM. eHRM uses information systems (IS), particularly the Web, as the central component of delivering efficient and effective HRM services. eHRM is the “implementation and delivery of HR functionality enabled by a HRIS that connects employees, applicants, managers, and the decisions they make” (Johnson et al., 2016, p. 536). With this approach, the HRIS becomes the nerve center for disseminating, connecting, and conducting human resources (Strohmeier, 2007). Implementing HRIS innovations requires guidance, in the form of an **eHRM strategy**. Without a clear strategy, and alignment of the eHRM strategy with the HRM and organization strategies, it is almost certain that HRIS applications will not function adequately in conjunction with each other; overlap will be created between applications, and users will not be clear about what the organization expects. This leads to suboptimal results and can even move the organization away from eHRM. Just as HRM strategy must be linked to an organizational strategy, so also should an eHRM strategy link to the overall HRM strategy and practices (Ruël et al., 2004). Although HRM strategies and practices differ from organization to organization, there are three main archetypes (Beer et al., 1984). These are “bureaucratic,” market, and group focused (e.g., “clan”). Organizations that want to implement eHRM innovations do not start from scratch with eHRM; they have already made implicit or explicit strategic HRM policy choices in employee participation, staff through-flow, remuneration, and organization of labor based upon the HRM strategies chosen (Beer et al., 1984). In addition, there can also be several HRM strategies that exist within different units of an organization. For example, in a hospital, there can be an HRM strategy for the nonmedical staff and one for the medical staff. Three different approaches to HRM strategy are discussed below.

The “Bureaucratic” Approach to HRM

The **bureaucratic HRM** strategy is particularly evident in organizations that operate in stable environments in both technological and socioeconomic terms (e.g., larger, established companies and government organizations). Although “bureaucratic” often has a negative connotation, we use it to describe an organizational form based on elaborate rules with a clear hierarchy. This has the benefit of clarifying where the responsibilities and controls lie, but it can be negative when maneuverability and responsiveness are desired, as rules and hierarchy quickly get in the way. Traditional large organizations such as GM, Petrobas, and Volkswagen would have historically utilized this approach.

The Market Approach to HRM

A **market-oriented HRM strategy** is mainly found in organizations that need to react quickly to market and environmental developments. In such an organization, employee participation is not strongly formalized and depends on the space and openness of the leadership; personnel flow depends on individual aspirations and attempts to “advance” rather than a formalized development trajectory; remuneration of staff has a basic framework, but depending on the situation on the labor market, the leadership may decide to pay new staff more than people in similar positions; the furnishing of labor and the organization often have a more flexible, flatter form. In newer companies, ones that are highly seasonal, technology companies, and start-ups that have survived the beginner phase, HRM is characterized as market oriented. Companies such as Google, Amazon, and Alibaba are known for this type of approach to HRM.

The Group-Focused Approach to HRM

A **group-focused HRM strategy** suits organizations for which high quality and innovation are important. Staff in these organizations consist of highly skilled professionals with specialized skills. Companies consisting of technical specialists, accountancy firms, and medical specialists are examples of organizations with a group-focused HRM strategy. Employee participation is critical, as staff members’ best insights are needed to deliver quality and remain innovative; there is a strong connection with the company’s specialization and with peers, staff flow reflects loyalty to the organization, rewards are based on benchmarks with peers and dependent on seniority (e.g., joining as “partner”), and the establishment of labor and organization is often motivated by specialization of the organization. Organizations such as Apple and Nokia employ this HRM strategy.

Linking eHRM and HRM Strategy

In an organization with a “bureaucratic” HRM strategy, an eHRM strategy will need to align with and conform to the existing rules and hierarchy, communicate these rules better, and apply them more effectively and efficiently. In an organization with a market-oriented HRM strategy, an eHRM strategy may focus on facilitating the organization’s agility. eHRM applications will rely heavily on self-service, strongly focus on strategic management of HRM information

(e.g., workforce analytics, personnel file analyses), productivity-enhancing tools, and communication and interactivity between management and employees. Much more authority is placed in the hands of managers in market-oriented strategies compared to those with a bureaucratic strategy. With a group-oriented HRM strategy, an eHRM strategy will focus on supporting the functionality of the specialist as much as possible. There will be a specific focus and connection to the wishes and needs of specialists and professionals so that they can exercise their profession optimally, deliver high quality, and continue to improve themselves.

Although the options described here reflect choices that organizations will make when linking eHRM and HRM strategies, the reality is much more complex than described here. That is, technology, organizational strategy, and employee desires can all mutually influence the successful link between eHRM and HRM strategy (Marler & Parry, 2016). In addition, research from CedarCrestone (2014) found that the organizations that found the most success from eHRM implementations were also those that had the strongest HRM practices.

eHRM GOALS

As organizations determine their eHRM strategy, they will also focus on the specific goals that an organization wants to achieve with eHRM. Typically, organizations focus on three main goals with eHRM. These include (in no particular order) providing cost savings and improving the efficiency of HRM processes, improving the strategic orientation of human resources (e.g., HR as strategic business partner), and improving the quality of service to HRM clients (Bondarouk & Furtmueller, 2012). eHRM innovations oriented toward achieving cost savings and improving HRM processes focus on replacing paper forms with electronic processes. Examples of this include employee and management self-service applications. However, realizing cost savings can be difficult to achieve. The costs of adoption can often end up higher than estimated, and the proposed savings are often unrealistic (Bondarouk & Ruël, 2005; 2013). Chapters 4 and 5 provide more information on how to evaluate the feasibility of moving to a new or updated HRIS.

eHRM innovations aimed at improving the strategic role of HR mainly focus on using data from the HRIS to improve HRM data analyses and decision making and providing more robust analytics capabilities. Finally, improving the quality of HRM services means investing in HRIS applications that are very well aligned with the needs of clients. The applications must be intuitive to use, and users must have a quality experience when using them. In fact, research found that a good design of eHRM applications is the most important factor needed to start using those applications (Bondarouk & Ruël, 2005). Chapter 11 provides more information on how to evaluate the feasibility of moving to a new or updated HRIS.

Technology also makes it possible for an organization to outsource all HRM services to one or more external parties and deliver them online. Organizations can strategically outsource specific HRM functions such as payroll benefits administration, and some HRM administrative tasks (e.g., background checks, some training, etc.). Placing personnel data entirely outside the organization still encounters many objections, not the least of which is data security. Outsourcing has had the strategic effect of emphasizing and strengthening the demand for

value-added services. More information on using outsourcing as a component of HRM strategy is found in Chapter 6.

Each of these three eHRM goals can be pursued jointly in eHRM innovation projects, but research shows that organizational goals surrounding all of them are often not realized. An important explanation for this lies in the “mismatch” between the technical design of applications and the perceived usability and experienced user convenience. Organizations often forget that by transferring HRM tasks to employees and managers through self-service, the demand for HRM services does not decline. The effort is simply transferred. This means that employees will have to do additional work and that managers’ HRM-oriented tasks expand; unfortunately, many managers lack the HR knowledge to complete those tasks and will likely require training to remain compliant with local laws and HRM procedures.

Does this mean that eHRM innovations are pointless? Hardly. However, it does mean that because eHRM innovations are often not familiar to organizations, they need clear strategies and realistic objectives. To achieve this, an eHRM innovation project should be considered an organizational change process and not simply an IT project. One reason for this is that employees often implicitly assume that many things can easily be arranged or selected via a mobile device. After all, in everyday life, the smartphone or other smart devices support communication, shopping, financial matters, and much more. But when forced to use the new HRIS-enabled process, they realize how complex these systems can seem. Preparing and training employees in advance can reduce resistance and underutilization of the system once in place.

It is important to note the large influence that HRIS vendors can have on meeting eHRM goals. Vendors make certain assumptions about HRM processes and design their products with certain capabilities. These processes may differ from how an organization currently operates, and the larger the gap between an organization’s existing processes and those enabled by the vendor’s product, the riskier the change can be. In addition, vendor salespeople can promise unrealistic and overly optimistic outcomes. The risk is that without knowledge of both your firm’s HRM processes and the capabilities and limitations of an HRIS under consideration, organizations may not be able to make the right choices for eHRM innovation. Therefore, an organization must articulate its goals for moving forward before seeking recommendations from vendors. Identifying system requirements to share with vendors is addressed in Chapter 3.

eHRM Types

Once the organization has formed an eHRM strategy and has articulated the goals for eHRM investments, they can then determine what level of organizational functioning their system will support. Ruël et al. (2004) distinguish three approaches to eHRM deployment: operational eHRM, relational eHRM, and transformational eHRM. Let’s examine these three types.

Operational eHRM concerns the use of eHRM to facilitate employees’ daily tasks by making information easily available and their development through competency development, performance management, and reward. This form of eHRM supports the transactional HR activities discussed in Chapter 1. An example of an operational task is an applicant utilizing applying for a job using Indeed.

Relational eHRM concerns the implementation and use of eHRM to support HRM service processes. Think of efficiently organized processes for recruitment, selection, and introduction (onboarding), for employee development, HRM communication, and participation, for performance management and assessment and reward. Relational eHRM connects middle management and employees and helps support the traditional HRM activities discussed in Chapter 1. An example of a relational task is the recruitment manager running an analysis of yield ratios, time to hire, cost to hire, or offer acceptance rate.

Transformational eHRM concerns the implementation and use of eHRM to facilitate strategic decision making and strategic change processes. For example, transformational eHRM would focus on strategic personnel planning and corporate branding with the aim of attracting the desired talent. Transformational eHRM supports the transformational HRM activities identified in Chapter 1. Strategic HR analytics applications are suitable for this purpose, but they require more advanced levels of personnel data such as competency development, performance, and ambitions. Without this kind of good-quality data, it is difficult to make analyses for the future. Transformational eHRM is the most ambitious type of eHRM because it demands effective eHRM innovations at both the tactical and operational levels. Transformational activities include tasks such as conducting workforce planning or determining how to integrate the staff from two organizations involved in a merger.

The three eHRM types described here are suitable for use by professionals and consultants as a means of looking at how eHRM is implemented in organizations. In practice, organizations will use eHRM applications that have characteristics of all three types. And not all the parts will be equally well integrated and widely used. There are many anecdotes about managers who need to approve employee leave requests in an eHRM application, but in daily practice, they “outsource” this task to their assistants. The latter often do not have the formal power to do so, and it can also prevent them from actually being able to access confidential data that should remain so. The eHRM types can also help organizations understand how to align their eHRM strategy and objectives with eHRM types to ensure that the strategy, objectives, and types form a coherent whole. This is quite difficult for organizational practice to realize and a source of failures or disappointing results in eHRM innovations.

eHRM AND THE HRM FUNCTION

eHRM innovations cannot be considered isolated pieces of technology; they require an integrated approach in which the “social system,” the organization, and the “technical system” (i.e., the HRIS) inform the design and content of eHRM. As such, eHRM is not static but dynamic, evolving as the social and technical environments change and as the organization’s strategies evolve.

Technology is not neutral but is designed by people and only “comes to life” during use. And it must remain that way. If technology is no longer understood by people or is not under their control, undesirable situations can arise, including, but not limited to using technology for unintended purposes (e.g., to access private or protected employee data) or not using technologies when or as they should be used (i.e., limited adoption). This may sound like science fiction

and futuristic, but with the rapid developments in, for example, artificial intelligence (AI), there are risks of technological developments getting out of hand. That is why the central focus is on the stakeholders (e.g., employees and management). That is, people must be at the core of eHRM. They must give direction and substance to eHRM innovations. HRM and technology are inextricably linked. HRM naturally revolves around people and helping them move forward in their roles, ways of working together, well-being, development, and performance in organizations, but technological applications are needed to make this possible now and in the future.

Shifting Roles of HRM Professionals

The growth in utilizing eHRM in recent decades has had significant effects on HRM. The transactional importance of HRM has not diminished; instead, the most basic HRM tasks have been automated through self-service applications. An important consequence of this is evolution of the role of HR away from support for transactions to that of strategic business partner; instead of spending time conducting basic transactions, HR staff should focus on transformational activities that link HRM strategy to an organization's strategy. Thus, HRM needs professionals who can think strategically and have a vision of what HRM information and analyses are needed.

The role of the HR professional has also been changed and will continue to change as eHRM evolves (Gueutal et al., 2007). Much has been said in recent years about the lack of information technology interest and skills among HR professionals. However, the HR professional of today and tomorrow must constantly keep an eye on what eHRM innovations are available on the market and how they can contribute to improving the performance of the HR department. Advances in eHRM also influence the level and roles of HRM professionals. Greater levels of education are required to function as an HRM professional, and there is also a greater variety of roles: generalist, specialist, consultant, technology-oriented specialist, and business partner, to name a few. eHRM has also contributed to strengthening the focus on the role of the HR department as a service provider to employees and management. Through effective use and support of eHRM, the quality of the service can be improved, and HR professionals can function much more as internal consultants. It can be concluded that eHRM has contributed to making HR more effective, has transformed the work of the HR professional, and can support a more strategic way of approaching HRM that better links eHRM, HRM, and organizational strategy.

GOING GLOBAL

Next, we turn to the strategic issues associated with managing HRM in a global context. **Globalization** is the “increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders” (IMF Staff, 2008). Without a doubt, organizations cannot compete without a global mindset. Although there was a substantial drop in global trade during the COVID-19

pandemic, the trade in goods and services around the world bounced back to a record \$31 trillion in 2022 (World Trade Organization, 2023). Commercial services have also grown from an understandably low \$5 trillion in 2020 to \$6.8 trillion in 2022. Even though the COVID-19 pandemic and the great recession of 2008 slowed down world trade, the past 20 years show that companies that remain domestic in their geographic scope have a lot to lose. The world's gross domestic product (GDP) is estimated to have reached \$100.88 trillion in 2022, and despite the United States having the largest national economy (\$25.44 trillion), the United States only accounts for approximately 25% of the world's economy; 75% of the world's economic activity takes place elsewhere (World Bank, 2024).

Further illustrating the growing importance for HRM, the strategic implications of globalization for chief human resources officers (CHROs) is the topic of recent reports from the Conference Board (Ark et al., 2015). These reports, which deal with HR's role in mergers, acquisitions, and divestitures, with labor market trends, and with the pressures felt for HR transformation (among other themes), offer evidence that globalization is strongly affecting the HRM field.

Perhaps one of the major changes in the world's business economy has been the formation of regional free-trade zones. The passage of the North American Free Trade Agreement (NAFTA) in 1994 established the world's largest trade block, increasing trade between the United States, Mexico, and Canada. On July 1, 2020, its successor, the United States-Mexico-Canada Agreement (USMCA) took effect to update several provisions that had been criticized in one or more of the partner economies. Across the Atlantic, the **European Union (EU)** was formed and now includes 27 member countries engaged in free trade; this membership has kept growing, despite the U.K.'s "Brexit" or withdrawal from the European Union after January 31, 2020. Other trade agreements, such as the Association of Southeast Asian Nations (ASEAN) Free Trade Area or AFTA, the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), the Asia-Pacific Trade Agreement (APTA), the Southern Common Market (MERCOSUR), the East African Community (EAC), and the Greater Arab Free Trade Area (GAFTA) have improved trading relationships in their different regions.

Globalization in Flux

Despite this growth in globalization and the linking and integration of economies, in the past decade, globalization has been disrupted by the emergence of populist and protectionist regimes (since the mid-2010s), the COVID-19 pandemic in 2020, and armed conflict in Eastern Europe and the Middle East (since 2022). Once considered inevitable, economic integration seems to have switched to the regional, rather than the global level, as countries and companies are taking precautions to minimize their exposure to supply chain disruptions, to economic sanctions that have been gradually increased to countries that are not in good terms with their former commercial partners, as well as exposure to policies that restrict or condition the movement of people, goods, services, and capital.

It is in this evolving context that many companies with international presence or partners must find creative solutions to the challenges posed to their HRM and IS policies and practices. The ever-increasing need for integration and deployment of the most suitable personnel has

been tempered by geopolitical events that bring about legal and logistical restrictions. To illustrate, the European Union's **General Data Protection Regulation (GDPR)**, China's Personal Information Protection Law (PIPL), the California Consumer Privacy Act (CCPA), and the Brazilian *Lei Geral de Proteção de Dados* (LGPD or General Data Protection Law) all regulate the processing of personal data, within their geographic limits, as well as outside when organizations operate within such borders *or* use data from their constituents. As the number and complexity of regulations increase, compliance with such laws becomes progressively more difficult; this has obliged some companies to hire or purchase HRIS solutions at the local level, rather than attempt to keep track of evolving laws that govern the sharing or transmission of data in the locales in which they operate. In the next section, we describe the most salient considerations related to managing employees in organizations with international presence.

Despite the regionalization of commerce, globalization is still important for organizations. A variety of factors have contributed to this. These include: (1) a dramatic increase in global competition; (2) deregulation in the United States, Germany, and other industrialized countries, which has liberalized the domestic business environment and encouraged transnational investments; (3) an increase in international mergers and acquisitions; and (4) an increased awareness of the existence of talented human capital throughout the world. Additional drivers for the accelerated globalization are the availability of significantly cheaper global transport/reduced transportation enabled by a global supply chain, easier global communication and connectivity, the deeper specialization of labor, and the expansion of global capital flows. For this reason, for many organizations, it is imperative that they manage HR with an international perspective.

One of the major factors related to a firm's choosing to have an international presence is the availability and cost-effectiveness of information technology. IT has had a major influence on the acquisition and use of physical and financial resources, as well as greatly enhancing the marketing capabilities of global firms. However, one of the most important impacts of IT has been in HRM. Improved communications, worldwide recruiting and selecting, and better talent and performance management programs tied to career planning are only a few of the HR programs in global firms that have been improved by the use of IT. Still, the increased use and integration of data within the organization faces several challenges and pressures because the laws with which these systems must comply often differ from country to country. Thus, we discuss the unique technology and HRM challenges faced by multinational firms.

Types of International Business Operations

In today's global economy, organizations tend to compete based on different levels of participation in international markets (Noe et al., 2022). International business operations differ primarily by their level of global participation on a continuum from an international corporation to a global corporation. Although many organizations have only limited global scope, a growing number, such as Apple and Toyota, have a large number of personnel and facilities throughout the world (Snell et al., 2016). The following section provides a brief description of the four types as identified by Beaman (2011) and are based on the types of international business operations described by their level of global participation (Bartlett & Ghoshal, 1998).

International Corporation

An **international corporation** uses its existing core competencies to expand operations into foreign markets (Snell et al., 2016). These organizations' approach is centralized and focused on learning and sharing. This type of organization competes in the global marketplace by exporting existing products and eventually opening facilities in other countries. While their corporate headquarters typically reside in the parent country, international corporations have foreign operations in one or more host countries. Companies operating as international corporations include Honda, General Electric, and Procter & Gamble (Snell et al., 2016).

This type of international business operation presents various unique challenges for the HRM function of the organization. Two issues particularly relevant to international corporations are the host country's legal system and the host country's national culture. Legal issues might arise because of a country's minimum wage, for example. In some countries, the minimum wage is relatively high, driving up labor costs (Noe et al., 2017). Examples of cultural differences affecting international corporations are communication styles or the meaning and importance of work in the host country; such differences often impact work outcomes such as organizational commitment, job satisfaction, and intention to stay.

Multinational Corporation

A **multinational corporation** is a more complex international business operation than the preceding one. In an attempt to capitalize on lower production and distribution costs, multinational corporations' HR role is highly decentralized, locally responsive, and operates as fully autonomous units in multiple countries, (Snell et al., 2016; Noe et al., 2022). An example of a multinational corporation is General Motors (GM). Although GM's headquarters and some of its operations are located in the United States, many of its manufacturing facilities have been relocated to places such as Mexico, Poland, and China with the goals of reducing production costs and accessing local markets. Locating facilities to China has allowed GM to sell to the Asian markets with reduced distribution costs. The HRM issues experienced by multinational corporations are similar to those encountered by international corporations, but exacerbated by the fact that there are more countries—and country differences—to take into consideration.

One approach taken by multinational corporations has been to hire expatriates from countries other than the parent country to help with staffing and management issues (Noe et al., 2017). However, according to Noe et al. (2017), although hiring expatriates from other countries has its disadvantages, such issues can be overcome by requiring greater cross-training of cultural and managerial skills.

Global Corporation

Global corporations are similar to international corporations in that their HR functions are highly centralized and focused on efficiency; however, the **global corporation** also integrates its worldwide operations through a centralized home office (Snell et al., 2016). Multinational corporations produce and distribute identical products and services worldwide. Global corporations, on the other hand, emphasize flexibility and mass customization to meet the needs of differing customer groups worldwide (Noe et al., 2017). Ford represents an example of a global corporation.

Ford offers two different lines of automobiles, one to its American consumers and the other to its European consumers. For example, it meets the need of European consumers for smaller, more fuel-efficient cars by offering the Ka—a car similar to Daimler’s smart car.

Because of this integrative international focus, global corporations must manage their human resources through a multicountry HRM system. This type of system is characterized by three essential attributes: (1) HR decisions are made from a global rather than a national perspective, (2) the company’s management is composed of people from all over the world, and (3) decision making and planning processes include people from a variety of cultures and backgrounds (Noe et al., 2017).

Transnational Corporation

A **transnational corporation** uses an HR approach that is locally responsive to its country location, focused on being highly efficient, and emphasizes learning and sharing. The type of international business operation will inevitably influence the way in which the organization manages its human resources. It is feasible to conceptualize organizations on a continuum based on their level of global participation, from the domestic corporation representing the lowest level of global participation to the global corporation representing the highest level of global participation. With this in mind, we provide in the following sections of this chapter a discussion of issues surrounding the management of human resources internationally. Although these distinctions among multinational enterprises (MNE) are important, the actual structure of the MNE determines its effectiveness. There is no “best structure” that fits the distribution and marketing needs of all MNEs. Perhaps having a flexible approach to structure is the best way to manage an MNE. Use an HR approach that is locally responsive to its country location and is focused on being highly efficient plus being focused on learning and sharing.

INTERNATIONAL HRM

Multinational Enterprises

In today’s global economy, organizations tend to compete based on different levels of participation in international markets (Noe et al., 2022). International business operations differ primarily by their level of global participation. Although many organizations have only limited global scope, a growing number, such as Alibaba, Disney, Microsoft, Samsung, Shell, Toyota, and Volkswagen have many employees and facilities throughout the world. Although there are several strategies and forms from which global firms can choose, we broadly discuss them as **multinational enterprises (MNEs)**. As one might expect, there are significant differences in HRM programs and practices between a domestic enterprise and an MNE. Because the domestic organization only operates in one labor market, managing its human resources is much easier than is the case for MNEs. MNEs operate in multiple countries and must have information on the labor markets in all the countries in which they do business.

Despite differences in the types of employees hired by a domestic enterprise and an MNE, the major programs of HRM, for example, talent management and compensation, exist in both

domestic and international organizations. The fact that an MNE competes in multiple countries versus the single-country orientation of a domestic company contributes to the complexity of international HRM. International HRM is the management and delivery of HRM within an international or global corporation. Dowling et al. (2013) identify six key factors that contribute to the complexity of international HRM. These include:

- **More HRM activities:** An HR department in an international firm must be concerned with activities that would not be part of an HR department in a domestic firm, for example, relations with host governments; differences in labor laws and guidelines in the host country; and administrative details of the employees, such as international taxation, international relocation, orientation, and language training.
- **The need for a broader perspective:** The HR department and managers in MNEs need a broader worldview in dealing with employees from various nationalities and countries of origin, and recognition of the cultural differences among employees and the differences in work ethic, practices, and expectations in the employees' home countries.
- **More involvement in employees' personal lives:** In MNEs the HR department is more involved in the lives of employees in the areas of taxation, education, and even banking services. It also addresses issues with visas and housing arrangements for expatriates and other nondomestic employees.
- **Changes in emphasis of HRM programs,** such as compensation, managerial style, and tolerance of employee diversity, as the workforce mix of expatriates and locals varies. The much larger pool of talent available to MNEs means a varying mix of nationalities in their workforce. Consequently, different languages will often be spoken. This situation might require language training to support a common language for employees and to improve communication in the working environment.
- **Risk exposure:** The HR department in MNEs must be aware of the risks to its employees and keep them apprised of any significant problems (e.g., terrorist threats, armed conflicts, crime in specific locations, and environmental disasters). It must be prepared for any necessary evacuation of employees.
- **Broader external influences:** Many factors can affect the operation and activities of HRM for organizations operating in multiple countries, such as government regulations and relations, the labor market, societal concerns, and the level of technology.

Key HR Management Issues in MNEs

Managing in the global business environment creates unique complexities for managers—especially **expatriate** managers. Expatriates are employees who work outside their home country for an organization. For example, both a U.S. citizen working in Brazil and a Brazilian citizen working in the United States would be expatriates. In the past, organizations have relied on

expatriates as a major source of staffing for their overseas operations (Schuler & Tarique, 2007). Today though, organizations are increasingly shifting from an expatriate-focused workforce to a global workforce. Beaman (2008) argues that “it is only by first ‘thinking locally’ to truly understand the needs of our local business communities, and then ‘acting globally’ to seamlessly knit together diverse business functions and (HR) systems into a holistic, global approach that we can build an effective, efficient, and competitive organization” (p. 6). In other words, building a global workforce will require a mix of local and expatriate employees working together. Some of the most important cultural factors include diversity, education, politics and law, and economics (Snell et al., 2016).

Global Diversity and Inclusion

In many locations, the drives for increased diversity and inclusion have their basis in equal employment legislation. But beyond the legal requirements, there are additional reasons for supporting a diverse workforce. These include (1) the moral issue of discrimination in hiring and promotion based on gender and race and (2) the business case that increasing diversity and inclusion will improve the financial position of the MNE. The business case simply states that if the consumer population is diverse, it behooves an MNE to have a diverse workforce.

Organizations are increasingly recognizing the importance of having a global approach to the hiring and management of employees to remain competitive in the global marketplace. This search for new employees must account for cultural differences in multiple countries by recognizing the importance of developing greater cross-cultural competence in their employees. “Driven by a need to compensate for talent shortages—and compete in an increasingly diverse marketplace—companies are extending their recruiting and promotion efforts to groups that traditionally were under-represented or not present at all” (SHRM, 2009, p. 5).

Having this type of workforce means that the educational level, skills, background, and cultural values of the workforce will be highly varied. It is important for managers to understand and deal with the human capital needs of a highly diverse workforce made up of individuals (1) coming from different cultural backgrounds, (2) possibly speaking different languages, and (3) having different educational experiences. These educational differences require that managers provide a supportive work environment for their employees. One important aspect of support is training on (1) cultural differences, (2) verbal and nonverbal communication, and (3) specific skill sets particular to the employee’s job. To survive, organizations must manage differences so that employees from all backgrounds can be heard, be understood, and be able to work together productively.

Political and Legal Systems

The political and legal systems within the host country will affect the type of HRM practices that can be used (Noe et al., 2022). The laws and regulations of the host country are determined in part by the societal norms of that country. For example, the United States has created laws governing issues such as equal employment opportunities and fair pay standards (Noe et al., 2022); however, these laws are specific to the United States, and similar laws may or may not necessarily exist in other countries. In addition, free speech is a **cultural norm** in the United

States and is protected by law. It is acceptable for organizations and individuals to speak out against the government if they do not like certain government regulations or taxes or if they think they are being unfairly treated. However, in other parts of the world, it may be highly inappropriate, and occasionally even dangerous, for organizations to speak out against the government. On the other hand, U.S. companies may impose a certain degree of censorship on employees, if a business necessity exists. In other countries, employees might be protected by law or by highly regulated severance practices.

Economic System

The economic system of the host country is one determinant of the way in which HR programs and practices are used. This economic system affects human capital, primarily through its compensation system (Noe et al., 2022). Countries such as Germany, Switzerland, and Japan have strong educational systems and provide employees with high wages. In comparison, frontier economies such as Nigeria and Bangladesh have poorer educational systems and provide substantially lower compensation to their workforces. Compared to the United States, where the average annual salary is approximately \$4,950 per month, the average salary in Nigeria is approximately \$272 and in Bangladesh it is approximately \$245 (TimeCamp, nd). If the workforce of an MNE in Nigeria was composed of employees from both Nigeria and the United States, an equity issue might arise and must be managed effectively.

HRM IN GLOBAL ORGANIZATIONS

International Staffing

The complexities inherent in managing a global organization make staffing an especially important part of the international HRM system. When staffing for managerial and nonmanagerial positions, the MNE needs to determine if personnel will be selected from the home country, host-country, or third-country talent pool. Typically, nonmanagerial positions should be filled with local talent. Other than certain technical positions, there is little room for a convincing business case to invest in expats for nonmanagerial positions. Managerial positions can, but do not necessarily have to be filled by international managers. The two key decision-making factors are:

1. Is local expertise available? If so, there is no need for expats. If local expertise is not available and this knowledge is success-critical, an expat may make sense. This would be an international assignment under the label of “expert transfer.” However, it might also be appropriate to simply hire an external local expert.
2. Is the position necessary to develop the company’s top talent? If so, this can be an international assignment under the label of “talent management.” The latter is common and global talent management is the driver for international assignments of many firms’ top talent.

A MNE can include three types of employees, as opposed to one type in a domestic firm. These MNE employees include **parent-country nationals (PCNs)**, **host-country nationals (HCNs)**, and **third-country nationals (TCNs)**. PCNs are from the country in which the corporate headquarters of the MNE is located, while HCNs are from the countries where subsidiaries are located. TCNs are employees from countries other than the parent or host countries. As described by Snell et al. (2016), each of these employee groups provides a different advantage for the MNE. A common issue for all these employee groups, however, is the underutilization of and lower pay for female employees. In several European countries, females received approximately 25% less salary than their male counterparts (Adlung, 2010). This suggests that MNEs should emphasize hiring female employees and paying them fairly. Adlung suggests that companies could utilize an integrated talent management system to leverage this untapped talent pool and reduce the salary gap between male and female employees.

Performance Appraisal in MNEs

Performance appraisal is an important process for documenting the performance of employees, determining areas for development, deciding on pay increases and promotional opportunities, and giving employees the opportunity to express their views (Von Glinow et al., 2002). The type of performance appraisal conducted and its content depend on the specific job requirements and personal attributes of the person being appraised (Schuler et al., 2002). This is particularly true when we compare the appraisal of expatriates with that of local and foreign employees. Naturally, the inclusion of plants with a diverse employee population in multiple countries creates considerable complexity, particularly when the results of the appraisals are used to move managers from country to country. The good news is that most large HRIS vendors offer products that can be modified for local conditions in each specific country.

Appraising Expatriate Performance

Important considerations in the appraisal of an expatriate's performance are who should conduct the appraisal and what performance criteria are specific to the expatriate's situation (Snell et al., 2016). The first question is who should complete the performance appraisal. Typically, the performance of employees is appraised by their local supervisors. Expatriate managers are geographically distanced from their parent-country supervisors, and, as a result, supervisors who are located in the parent country cannot observe the day-to-day activities of these employees (Dowling et al., 2013). Therefore, managers of expatriates tend to base their evaluations of the person on criteria used for other employees in similar positions located in the parent country. Ideally, the performance evaluation is done with input from the host-country supervisor and the home-country mentor and/or supervisor, to generate a fair and fully aligned performance evaluation. A potential problem with this type of assessment is that the parent-country manager does not have direct information or observational data about the more subjective performance criteria, such as the expatriate manager's leadership skills or performance within the context of the subsidiary (Borman & Motowidlo, 1993). Moreover, the supervisor located in the parent country may not be aware of culturally bound biases that constrain the job performance of the expatriate manager.

Because of these complexities, it may be most appropriate to obtain multiple ratings of the expatriate's performance using a 360° feedback system (Dowling et al., 2013). Ratings of the expatriate manager's performance could be garnered from his or her superiors, peers, and subordinates in the expatriate assignment, as well as from the expatriate himself or herself. This would provide a clearer picture of the expatriate's total job performance. In fact, in a study of 58 U.S. multinational firms, Gregersen et al. (1996) found that 81% of the companies used more than one rater when assessing the job performance of expatriate employees. Evidently, HRIS with culturally consistent user interfaces and well-designed privacy, security, and useful outputs may go a long way to guarantee acceptance and create an effective organizational culture.

Managing International Compensation

The management of compensation in an MNE is one of the most complex but critically important functions of international HRM. Its complexity comes from having a mix of employees from different nationalities within one company and, thus, having to handle wage, salary, and benefits information that differs across countries. As a result, the international compensation manager must be aware of differences in taxation, labor laws affecting compensation and benefits, currency fluctuations, and cost-of-living differences within and between countries where the MNE has a presence. The criticality of compensation and benefits management by the international HR department rests, in part, on the effects that salary and benefits have on employee motivation. Despite differences across countries regarding the motivational factors in the workplace, money seems to be consistently at the top of the list.

The other reason for the critical importance of compensation management in subsidiaries is its link to the strategy of the MNE. To help us understand some of the important elements and dynamics of compensation in an MNE, this section will cover (1) the objectives of international compensation, (2) the components of international compensation, and (3) two approaches to international compensation.

The Objectives of International Compensation Policy

The objectives of a compensation policy in an MNE are similar to those in a domestic company. It has been fairly well established in the management research literature that compensation administration is closely related to the strategy of the firm. For example, if the company has forecasted increased sales in the next year and thus has determined a need for new employees with specialized skills, it may be necessary to pay above the labor market's "going salary rate" to get the best available individuals. This necessity would be especially true when information from the labor market indicates that there is a shortage of people in a particular country having the skills needed for the target job—for example, IS employees. Similarly, when the labor market statistics indicate that there is an abundance of people with the skills necessary for a specific job, it would be recommended that the compensation level matches the labor market values.

As in a domestic firm, the *first objective* for an MNE is to align its compensation strategy with the strategy of the firm. Of course, compared with the domestic firm, this alignment is much more complex for the MNE. It requires the MNE to have accurate and up-to-date labor market compensation information for all the countries in which it has a presence.

This requirement is one of the most powerful advantages of having an HRIS with labor market information for the international HR department. Labor market statistics, such as average compensation as well as forecasted shortages and surpluses for jobs, are available for most countries and can be stored in or accessed through the HRIS. However, it should be clear that the reports generated from the HRIS would be significantly more complex in an MNE, since multiple countries would be involved.

The *second objective* of compensation administration in an MNE, as in a domestic firm, is to affect employee motivation in several ways. It must motivate employees to (1) join the firm, (2) be productive while members of the firm, and (3) stay with the firm. Employee motivation, then, is an important objective of an MNE's international compensation policy, which is complicated since multiple cultures are involved. Although most cultures see monetary rewards as motivational, there are clear differences across world cultures in terms of the other factors that motivate employee behaviors. For example, the meaningfulness of the work may be very important in some cultures, whereas the opportunity for promotion would be most important in other cultures.

The *final objective* of compensation policy for an MNE is that it must be perceived as fair by the employees. This notion of fairness or equity has been shown to be a powerful motivator of human behavior (Colquitt et al., 2001), and it may be the most important objective of an international compensation policy. Given the mix of employee nationalities within companies, *perceived or real* differences in wages or benefits between groups of employees may lead to considerable dissatisfaction among the less privileged groups and consequently affect the retention of employees. Easily understandable user interfaces in compensation related HRIS are essential for organizations interested in increasing transparency in and satisfaction with pay packages designed to support the company's strategy.

Specific requirements for reporting and auditing gender-disaggregated pay information to close pay gaps is required by 21 of the 38 countries of the Organisation for Economic Co-Operation and Development (OECD, 2023), and are supported by most global HRIS. One can reasonably expect other countries to adopt similar requirements and HRIS vendors must be able to incorporate relevant modules to comply with such stipulations.

The Components of International Compensation

The components of an international compensation system are very similar to those of a domestic program. The major components are a base salary and a set of benefits. However, extra pay premiums are much more complex for an MNE. For example, there are foreign-service or hardship premia for expatriates. Other premiums could be based on the "risk level" of the assignment in the country. Although most domestic companies give cost-of-living allowances (COLAs) based on where one works (e.g., rural vs. urban locations), MNEs must also use between and within country COLAs to have an equitable and attractive compensation system. These considerations, along with the other compensation issues discussed, can make managing the compensation system a "living nightmare" for the international HR department. Having the employee, country, and compensation data in an HRIS provides data that IHRM professionals can quickly access to make more timely policy and operational decisions about compensation in an MNE.

Two Approaches to International Compensation

The international HRM textbooks mentioned earlier in this chapter (Briscoe & Schuler, 2004; Dowling et al., 2013; Evans et al., 2002) all discuss two approaches to international compensation—the **going-rate** and the **balance-sheet approaches**. In the going-rate or **host-country approach** (Snell et al., 2016), the base salary for international employees is tied to the salary levels in the host country. For example, an expatriate would earn pay that is comparable with the salaries of employees in the host country. Thus, the compensation levels for employees would depend on wage surveys of (1) local nationals, (2) expatriates of the same nationality, and (3) expatriates of all nationalities (Dowling et al., 2013). For low-pay countries, the base pay and benefits could be supplemented with additional payments. HRIS applications for compensation based on the going rate are quite useful for establishing initial compensation levels, particularly for expatriates. Having these data are useful for international HR professionals when handling complaints by any MNE employee regarding the equity of his or her compensation. Such applications are available from the major providers of software platforms such as Workday or SAP.

The second approach to compensation policy, the balance-sheet approach, has as its goal the maintenance of a home-country living standard plus a financial inducement for accepting an international assignment. As Dowling et al. (2013) note, “The home-country pay and benefits are the foundation of this approach; adjustments to home package to balance additional expenditure in the host country and financial incentives (expatriate/hardship premium) are added to make the package attractive.” Although this approach would appear to be more attractive to the expatriate, it has a disadvantage for the IHRM department—it can be very complex to administer. Software applications and reports from an HRIS can assist in untangling these objectives and perceived inequalities, but international HR professional and line managers still need to be able to explain these programs to employees.

In sum, compensation is probably the most difficult and complex of the HRM programs to implement and administer in an MNE. However, it is critically important to the equity exchange (or psychological contract) between the company and its employees; in consequence, it is likely to affect employee motivation. Interactions between employees and their immediate supervisors in a domestic enterprise or an MNE regarding compensation have the greatest impact on the motivation of the employees. Having an HRIS produce the needed data and information on the equity of compensation among employees is a tremendous boon to employee relations.

Organizational Structure in MNEs

The issue of the *most effective* structure for the operation of an HRIS in an MNE has been a “moving target.” The most common advice regarding the management of an MNE has been to “**think global, act local**.” This advice applies to the total management process of an MNE—its strategy, operations, finance, marketing, and HR—and has been followed religiously for many years in international management. However, Beaman (2008) has provided arguments for a different approach, at least in terms of the development and use of an HRIS in international organizations. As she states,

I maintain that we have been going about globalization the wrong way. The slogan, “Think Global, Act Local” . . . is completely the inverse of what we should be doing with our HRIT [synonym for HRIS] organizations. Rather, it is only by first “thinking locally” to truly understand the needs of our local business communities, and then “acting globally” to seamlessly knit together diverse business functions and systems into a holistic, global approach that we can build an effective, efficient, and competitive organization. (p. 6)

A well-established piece of advice in the management literature has been that “structure does not drive success—people do.” To build an organizational structure for an HRIS in an MNE, we should consider Beaman’s very reasonable suggestion. Beyond his axiom, there are some common topics that need to be “owned” by either local HR or corporate HR located in the organization’s headquarters. Typical corporate HR topics that need to be supported by appropriate data and metrics provided by eHRM are:

1. Job titles, job grades, and incentive and bonus systems.
2. Central management of all expatriates
3. Create and maintain a strong, consistent, and coherent corporate culture in all countries. This includes HR leadership for implementing core values in all country organizations.
4. Global talent management with the paradigm that the global high potentials “belong” to the whole company and not only to a country or a certain business division. As a result, most global players have a centralized corporate executive talent management function and standardized and harmonized international talent management and performance evaluation systems and processes.
5. Definition and consistent communication of a globally aligned employer branding in all countries for talent attraction.
6. Unified performance management system for managerial employees and specifically senior leaders.
7. Succession planning/management for top positions

Deploying HRIS Globally

As discussed in this chapter, most of the HRIS applications available for a domestic company can be used for MNEs. However, some modifications are necessary due to the complexity of doing business globally. A MNE will have employees in many different locations, some working on site, and some working remotely. Thus, both HR staff and managers will need to be able to access and use the HRIS from multiple locations across the globe. Although today’s HRIS have been developed to support this access, the complexity of managing across borders means that the implementation and use is much higher than for domestic firms.

Consider the differences between a compensation system for a domestic corporation operating in a single labor market and for an MNE. The MNEs compensation system would include labor market data for all countries in which the MNE has a presence. In addition, a great number of the modifications to an HRIS in an MNE would be driven by the different labor laws and regulations of the various host countries. As noted, there is software available for international HRM, but the use of this software demands that the system(s) be accurate and timely. Being able to create and access reports based on employee data, and do it quickly, requires that the data be accurate and up to date.

There are several challenges that organizations face when implementing an HRIS globally. We categorize these as cultural/language barriers and global/local barriers. When deploying an HRIS globally, the system must be able to support multiple languages. For example, Workday supports over 50 different languages and SAP SuccessFactors supports over 20 languages. In addition, each of them allows for local differences in languages (e.g., U.S. vs U.K. English, Mexico vs. Spain Spanish, etc.). This also creates challenges for translating the user interface based upon the language of the user, but also in ensuring that transactions are culturally and contextually appropriate. If these are done poorly, it can lead to errors in data entry and misunderstandings, which can reduce the effectiveness of the HRIS, but also of HRM and people management.

For example, HRM practices and terminology may vary widely across countries. A term commonly used in one region might be unfamiliar or have a different connotation in another.

A second consideration when implementing HRIS globally is how its design may affect user acceptance in different locations. Cultural differences can significantly impact the acceptance and use of an HRIS. For example, in hierarchical cultures, organizations might resist the use of employee or manager self-service HRM portals because they may be viewed as promoting employee autonomy. Conversely, cultures that value independence may quickly adopt such features.

As noted above, cultural norms also influence HRM practices such as performance evaluations, conflict resolution, and communication styles. For instance, the approach to performance management in the United States is more likely to focus on individual achievements, due to the individualistic nature of its culture. Conversely, in China, a collectivistic society, individual merit and rewards may not be appropriate. Instead, the focus on performance would be on the team. An HRIS must be flexible enough to accommodate these varying practices in different locations.

With respect to the implementation of an HRIS, an organization is not likely to be able to design a “one size fits all” implementation of an HRIS. Rather, any HRIS adopted must allow for extensive customization. Workflows, forms, and reports will need to be customized in each region (or country) to meet specific legal and cultural differences. In addition, the HRIS will need to support different date formats, currencies, and regulatory compliance features specific to each country. Moreover, user training and support materials must be localized, with training conducted in the local language and aligned with cultural norms. The ability for organizations to manage an overall HRM and eHRM strategy is made much more complex when they need to manage a global strategy with local adjustments.

The legal and regulatory environment within each country will also differ, each having its own set of labor laws and regulations for employment, payroll, benefits, data privacy, etc. An HRIS must comply with these varying regulations to avoid legal penalties and ensure smooth

operations. For instance, GDPR compliance is crucial in the European Union, whereas the United States has different standards for data privacy and employment law. For example, any data stored on an EU citizen must comply with GDPR. Many HRIS designed for the U.S. market are not consistent with GDPR requirements, and as such, GDPR would not allow their citizen's data to be stored on the HRIS, or transferred to the United States if they were to work in the United States. Thus, two distinct records for the same employee would be required. Failure to comply with local regulations can result in significant fines and damage to the company's reputation. Thus, the HRIS must be capable of managing diverse legal requirements which could include taxation rules, work hour regulations, and employee rights in the different countries/regions. The complexity of managing HR data across borders within a single instance of an HRIS is often impossible.

International employers with large differences in political and legal systems among the countries where they have a presence should make careful evaluations of their HRIS. Some firms choose to adopt a system with a global presence and localized (i.e., country-specific) modules, whereas others prefer using a local HRIS in each country. Among the advantages of the first option are the familiarity with the user interface, the possibility of receiving technical support from the same source, as well as leveraging economies of scale that might translate into cost savings. But having a local HRIS in each country might sometimes be an even less expensive proposition (especially when the cost of goods and services for some of the locations is considerably lower). In addition, updates due to changes in benefits, training, equal opportunity, or other legally mandated characteristics of the employment relationship may be more swiftly reflected in a local HRIS than a global one. Clearly, the large investment of money, people, and other resources justifies a highly intentional and conscientious selection process, with a time horizon that should justify not only the financial but also the human transition costs.

In addition, most HRIS vendors do not have country specific capabilities for all countries. This could require an organization to implement multiple instances of the same software, each designed for a specific country. It could also mean that the organization would need to adopt a local HRIS to support a single country while using a different HRIS for the rest of the region. This creates data sharing complexity and reduces the ability of the HRIS to provide the full scope of information needed to make optimal decisions in the different functional areas of HRM. As an example, an organization may adopt Workday in the United States, Canada, and France. However, they may have to adopt a separate instance of the software in France to comply with GDPR. In addition, Workday only offers payroll in the United States, Canada, the United Kingdom, and France. Thus, in all other countries they partner with other vendors such as Mercans to run payroll in the United Arab Emirates, China, or Brazil.

SUMMARY

This chapter focuses on two broad themes: how an HRIS can support both organizational and HRM strategy, and the issues that arise when an organization is global in scope. The first half of the chapter focuses on the links between organizational strategy, HRM strategy, and eHRM strategy (as supported by the HRIS). Technological developments have influenced HRM and

have encouraged innovation and change. In addition, they have enabled new ways of organizing HRM and delivering HRM functionality. eHRM can support multiple organizational strategies and can support HRM goals in multiple ways such as automating routine HRM tasks, reducing costs, reducing HRM administrative burdens, facilitating HRM and people decisions, and helping HR departments develop a more strategic focus.

Although it is clear that eHRM has already had an impact on and provided opportunities for HRM, it is important to remember that eHRM cannot be implemented effectively without an understanding of how it supports an organization's overall HRM and corporate strategies. In addition, organizations must consider the technical aspects of eHRM (e.g., the HRIS), the social aspects of eHRM (e.g., the employees, managers, and their relationships), and the goals of HR and the organization to deploy and manage any eHRM initiative most effectively.

For large organizations, where the workforce is global, the management of HRM and HRIS becomes even more complex. Even with the pushback against it, globalization is affecting all organizations. Although thirty years ago, it was the reality primarily for major corporations such as IBM or Shell that were globally focused, it has become increasingly important for mid-size firms—the fastest-growing group of firms in all countries. Thus, organizations are increasingly having to employ international HRM to manage their workforce. International HRM has become increasingly complex due to the development of emerging and frontier countries' market and regulatory environments. The complexity of having diversity of employees and of contending with the varying laws and practices of host countries dictated that MNEs adopt several different approaches to deploying HRIS across the globe. Thus, individuals involved with HRM and HRIS need to be aware of these complexities and how they affect the management of employees and implementation of HRM strategy globally.

KEY TERMS

balance-sheet approach	group-focused HRM strategy
bureaucratic HRM Strategy	host-country approach
cost leadership strategy	host-country nationals (HCNs)
cultural norm	HRM strategy
differentiation strategy	international corporation
eHRM strategy	market-oriented HRM strategy
electronic human resource management (eHRM)	multinational corporation
European Union (EU)	multinational enterprises (MNEs)
expatriate	organizational strategy
General Data Protection Regulation (GDPR)	parent-country nationals (PCNs)
global corporation	sustainable competitive advantage
globalization	“think global, act local”
going-rate approach	third-country nationals (TCNs)
	transnational corporation

DISCUSSION QUESTIONS

1. Discuss why it is important to align eHRM strategy with HRM strategy and organizational strategy.
2. What is the difference between a cost leadership and a differentiation HRM strategy and how might that influence decisions about eHRM?
3. Describe how the use of eHRM would look different in a bureaucratic HRM strategy as compared to a market-based approach.
4. How does HRM differ between domestic U.S. and international businesses?
5. Describe the staffing process in an MNE. How does it differ from that of a domestic-only corporation?
6. What are the main objectives of an international compensation plan? Would an “integrated solution” or a “best-of-breed” solution make more sense for a large multinational corporation? Do you believe that your answer would be different for a mid-sized company in the same industry? Explain your answer.
7. What are the customizations/modifications necessary for using HRIS software applications designed for domestic companies in an MNE?

CASE STUDY: DEPLOYING A GLOBAL HRIS AT ENERPULSE

EnerPulse Enterprises is a U.S.-based global energy company with approximately 38,000 employees spread across 180 countries. Recently they began embarking on a global HRIS project with the goal of unifying its Human Resource Information Systems (HRIS) across its worldwide operations. Their existing U.S.-based HRIS manages 20,000 employee records, while their other 18,000 employees utilize various HRIS configured to their local environments. This has created numerous challenges for the firm as data are often not available, duplicated, or hard to share. Ultimately their goal is to develop an integrated HRIS across all countries, but they know that this will take years to accomplish.

Into this environment, an opportunity has emerged. Oracle has notified them that they will no longer support their current HRIS, PeopleSoft (Ver 11), which is used in Germany and supports 1000 employees. EnerPulse has also recently purchased a subsidiary in Singapore which will bring another 500 employees into the firm. Thus, EnerPulse wants to begin their HRIS transformation by integrating German and Singaporean employees into their HRIS.

For this reason, Tanya Paul, CHRO, began thinking about the challenges that they would face in making this happen. First, she was concerned about how to integrate data across these countries in a way that also allows them to customize processes and data to each country to meet diverse legal and regulatory requirements. In Germany, strict data privacy

laws require compliance with GDPR, mandating that employee data be stored and processed within the European Union. Conversely, Singapore's regulations emphasize data protection under the Personal Data Protection Act (PDPA), necessitating different compliance measures. In addition, compensation processes differ greatly between these countries and the United States. Unlike the United States where compensation is often based upon higher base salaries, and can vary based upon performance and market conditions, in Germany, an emphasis is placed on social security, vacation time, and a generous pension system. In Singapore, along with base salary and market conditions, benefits reflect Singapore's strong regulation of work hours and work-life balance. The HRIS would also need to handle different date formats, currencies, and regulatory features. For instance, payroll systems in Germany had to accommodate local taxation rules and benefits structures, whereas Singapore's system must ensure compliance with local employment laws and mandatory savings programs like the Central Provident Fund (CPF).

Beyond issues associated with the actual administration of compensation and benefits, the system needs to be adaptable to local cultural conditions. For example, in Germany, strict labor laws limit the ability for EnerPulse to use employee self-service as these tasks are viewed as putting an additional noncompensated burden on employees. In Singapore, where English is widely used but local dialects and cultural nuances influence communication, the HRIS needs to be adaptable to local language preferences and terminology.

Next, EnerPulse needed to determine which approach to employee compensation to use for expatriates. They considered two primary approaches to international compensation: the going-rate and balance-sheet approaches. The going-rate approach ties the base salary for international employees to the salary levels in the host country, while the balance-sheet approach aims to maintain home-country living standards plus financial inducements for international assignments. Each approach requires careful consideration and customization within the HRIS to ensure fairness and transparency.

For these reasons, Tanya knew that this implementation would be challenging. She began putting together a team to address these challenges to ensure that the transition to a new HRIS would be as efficient as possible and would provide the benefits which EnerPulse needed.

Case Study Questions

1. What factors should EnerPulse consider in the design of a compensation system that effectively incorporates labor market data and regulatory requirements for the United States, Germany, and Singapore?
2. What strategies can EnerPulse employ to address cultural and language barriers, employee communications, and ensure accurate data entry and user acceptance?
3. What does EnerPulse need to consider to ensure that the HRIS complies with diverse legal requirements, such as GDPR in Germany and PDPA in Singapore, while maintaining operational efficiency?
4. What should EnerPulse evaluate as it considers whether to customize the HRIS to meet local needs versus maintaining global standardization?
5. What should EnerPulse consider as it builds its plan to manage the integration of its global compensation strategy to align with employee expectations and local market conditions, while maintaining fairness and equity?