



Globalisation and HRM



Globalisation

Defining Globalisation:

- it refers to the development of an economy and forms of governance that span much of the world.

(Zhu, 2000)



Something to Think About ...

- If we shrink the earth's population to a village of precisely 100, but all the existing human ratios remained the same, it would look like this:
 - There would be 57 Asians, 21 Europeans, 14 Western Hemisphere people (North & South America) and 8 Africans
 - 70 of 100 would be non-white; 30 would be white
 - 70 would be unable to read
 - 50 would suffer from malnutrition
 - 80 would live in substandard housing
 - Only one would have a university education

Source: *United Nations Demographic Data*, 2010.



The Main Aspects of Globalisation

- The integration of financial and currency markets
- The integration of production, trade and capital formation
- Emerging functions of global governance
- Increasing tendency for people, corporations and states to operate in or across national boundaries.



The Globalisation Process:

- World trade
- Floating finance
- Multi-national Corporations (MNCs)
- Foreign Direct Investment (FDI)
- Organisational

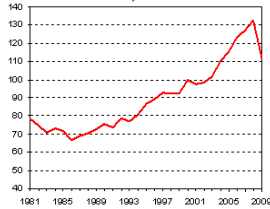


Globalisation: World Trade

- the growth of world trade is outpacing the growth of global goods and services by a margin of around 2:1
- the value of world merchandise exports in 2009 was US\$ 12.5 trillion after a fall of 23%
- This compares with 6.2 trillion in 2000
- 40% of trade conducting within the APEC economies (WTO reports)



Ratio of world exports of goods and commercial services to GDP, 1981-2009 (Index 2000=100)



Source: IMF for world GDP, WTO Secretariat for world trade in goods and commercial services.

World trade and output are currently in a recovery phase. The fall in global output in 2008-9 (—2.3%) was the first of its kind since the Great Depression in the 1920s and 30s, prompting strong fiscal and monetary policy responses from governments around the world.



Globalisation: Floating Finance

- ✦ The foreign exchange market assists international trade and investment, by enabling currency conversion.
- ✦ For example, it permits a business in the USA to import goods from the UK and pay IN £, even though its income is in US\$.



Globalisation: Floating Finance

- ✦ It also supports direct speculation in the value of currencies.
- ✦ Speculation on the change in interest rates in two currencies is largely unregulated
- ✦ Currency exchange amounts to over a trillion US\$ per day



Globalisation: Multi-National Corporations (MNC)

- ✦ There are now an estimated 889,416 multinational companies (MNCs) around the world
- ✦ In 2008, the 100 largest MNCs' sales combined amounted to nearly \$8.5 trillion.
- ✦ 53,000 multinational corporations (MNCs) in the world
(United Nations 2008)



Globalisation: Foreign Direct Investment (FDI)

- ✦ FDI (inflow and outflow) was
 - US\$1421 billion in 2000
 - US\$1122 billion in 2010
- ✦ The figure for 2010 was 25 percent below the pre-crisis average between 2005 to 2007.

UNCTAD, World Investment Report 2010



Advantages of globalisation

- ✦ Lower prices for goods and services
- ✦ Economic growth stimulation
- ✦ Increase in consumer income
- ✦ Creates jobs
- ✦ Better international specialisation:
 - Countries specialize in production of goods and services that are produced most efficiently



Disadvantages of globalisation

- ✦ Destroys manufacturing jobs in wealthy, advanced countries
- ✦ Wage rates of unskilled workers in advanced countries decline
- ✦ Companies move to countries with fewer labour laws and environmental regulations
- ✦ Loss of sovereignty



Globalisation: Impact on organisations?

- ✦ "One of the most affected areas is that of human resource management" (McGraw, 1997)



Globalisation: Impact on organisations? Some MNCs

- ✦ Half the employees of the *Ford* motor company work outside of the USA
- ✦ Three quarters of the *Phillips* workforce work outside the Netherlands
- ✦ Half of *Matsushita Electric's* employees work outside Japan
- ✦ Over half of *Ericsson's* staff work outside Sweden



Globalisation: Impact on organisations?

- ✦ US MNCs employ more than 10.3 million people in other countries:
 - 3.5M in Europe,
 - 1.5M in Asia and
 - 1.5M in Latin America.
- ✦ One out of six workers in the UK work for a Japanese MNC
- ✦ Source: BEA (2011)



MNC Worldwide Employment

Worldwide direct MNE employment (millions)	Mid 1970s	Early 1980s	Early 1990s	2000
Direct employment in MNEs (millions)	40	65	70	95
United States	24.3	22.9	22.8	31.2
Japan	3.3	3.3	4.6	7.3
Sweden	n.a.	1.2	1.1	1.5
Source: Parisotto (1993) and Kim (2006)				



Impact of Globalisation on HRM. Some issues:

- ✦ Becoming truly global requires effective management of a diverse international labour force
- ✦ Dealing equitably with global workforce diversity poses a critical challenge specifically for HR professionals

Sparrow (2010)



Impact of Globalisation on HRM. Some issues:

- ✦ Management of expatriates side by side with local employees is critical issue for their companies.
- ✦ Conflict between expatriates and their local workforces was rated as the number one concern in relation to MNCs'



Impact of Globalisation on HRM. Some issues:

- ✦ The problem of hiring quality staff is one of the main factors inhibiting the MNC expansion
- ✦ Many MNCs experience managerial turnover rates between 30-40% p.a.



Globalisation: Impact on organisations?

- ✦ Think about how you would get talented people for a MNC on a global scale in terms of:
 - ☐ Recruitment
 - ☐ Selection
 - ☐ Remuneration
 - ☐ Benefits
 - ☐ Performance Management
 - ☐ Training