Managing People in a Globalized Context

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Abstract: **The main element of innovation is the organizational culture aligned with the organizational model. Furthermore is a factor to attract creative personnel and to provide qualitative services. We will examine the organizational change of an international model but there are potential problems during the transformation and on the implementation of a new management. Local management be able to cope with changes of internal, external environment and new strategies. Decisions and procedures are taken from different views of Mother Company. Regarding Human Resources Management and following standard procedures we could have quality management.**

Keywords: **Organizational model, transferability, standard procedures, culture/society, productivity, legislation, market conditions.**

1. INTRODUCTION

In this assessment we will examine the organizational change, from the more decentralized concept of the international model, to a centralized one, of the global organization model.

Leisure Choice International, operating in more than 50 countries, was following a model which allowed local management to take some decisions, different from the point of view of the mother company. Both external and internal factors were taking into account from local management, and there were variations on policy issues regarding business planning. For example, in Germany there were work councils and local company was cooperating with external institutions, regarding personnel training. Now, the organizational model will change, and will be centralized, without variations.

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In the assessment, there will be an analysis of this change, focusing on issues such as the training and development of personnel, reward management and performance management. One key element of this organizational change has to do with company's culture. Organizational culture, along with the organizational model, is a main element of innovation and, also, is a factor to attract creative personnel and to provide qualitative services.

Also, in this assessment we will examine potential problems on the implementation of the new management concept and we will analyse the pros and cons of the proposed strategy.

Part A:

The majority of the companies succeed in adapting themselves to the changes that occur in both their internal and external environment in which they operate. There are two categories of factors that drive the need for change in an organization: the first category is related to factors that are external to the organization, such as legislative and governmental policies, changes in the needs and demands of consumers, and innovations made by the competitors and the second category is related to factors that are internal to the organization (Lee & Krayer, 2003, Blokdijk, 2008).

Regarding the case study we are examining, company operates in more than 50 countries. Until today, local management could make choices and could follow processes which, although have been heavily influenced and inspired for the home base company –which is a US company- could differ. These variations on aspects such as human resources and business planning are due to the different social, economic, political and cultural characteristics between countries. Of course, the main guidelines and the core business concepts are from the mother company.

From this, we can describe Leisure Choice International (LCI) as a company which follows the International Organization Model (figure 1).
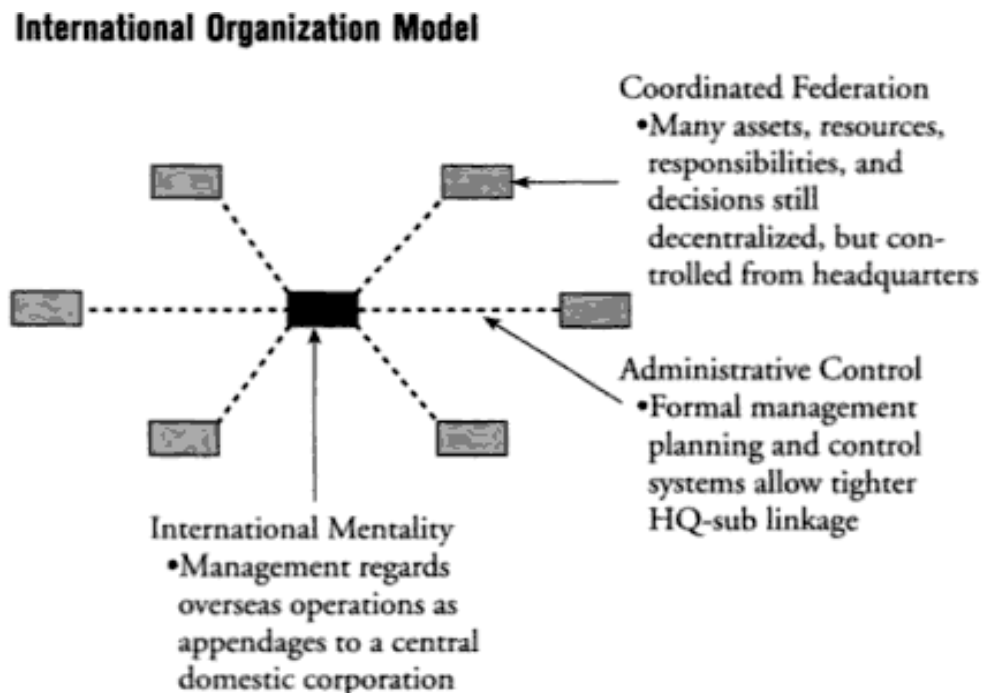

Figure 1. International organization model. Source: Bartlett & Ghoshal, 2002, p.58

According to the international organizational model, mother company is the core centre of the whole system, while subsides are following the given rules and procedures, although they have a level to make their own decisions in some parts of business.

Another model a company could follow is the multinational organizational model (figure 2). In this model, many decisions regarding policies and procedures are taken by local companies. Also, key assets have been decentralized and the most of the mother's company control is about financial issues.

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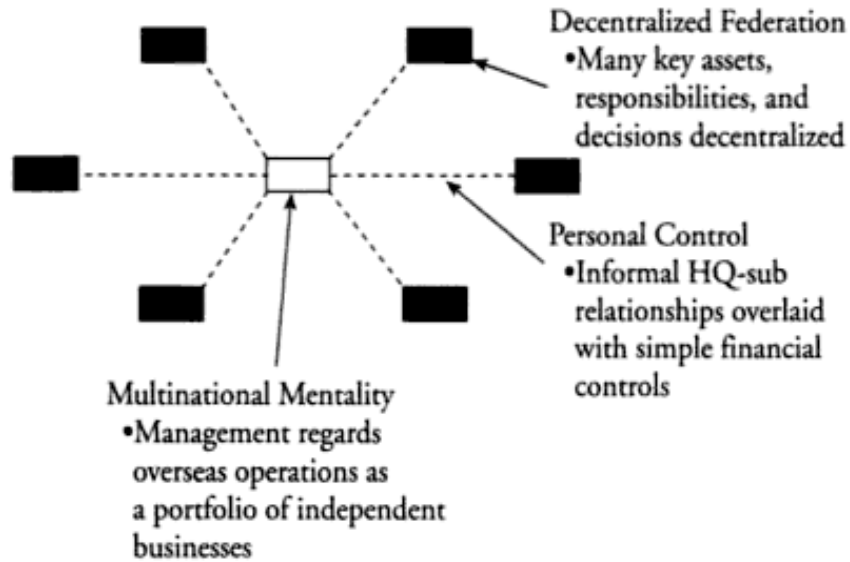## Multinational Organization Model

Figure 2. Multinational organization model. Source: Bartlett & Ghoshal, 2002, p.57

LCI decided to change the management concept, from the international to a more centralized one, which is the global organization model (figure 3). In this model, the system is centralized, and the differentiation is minimized.
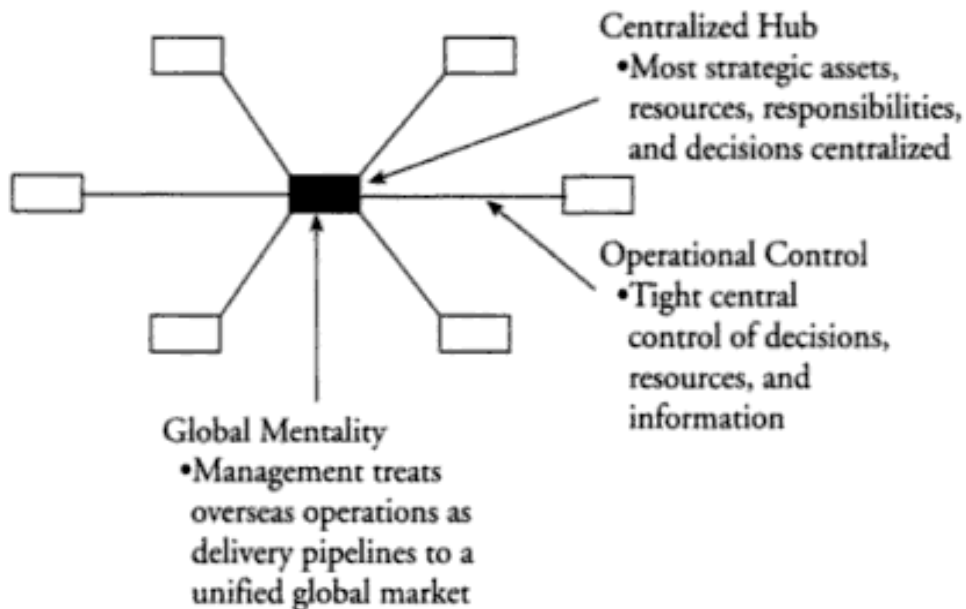
Global Organization Model

Figure 3. Global organization model. Source: Bartlett & Ghoshal, 2002, p.60

In the next table (table 1), we are presenting the main characteristics of each organizational model.

Table 1. Organizational characteristics of multinational, global and international companies. Based on Bartlett & Ghoshal, 2002, p.67 and Baeverstock, 2012

Organizational Characteristics	Multinational	Global	International	Transnational
Configuration of assets and capabilities	Decentralization, self-sufficient in national level	Centralization, globally scaled	The sources of core competencies	Dispersed, specialized, interdependent
Role of overseas operations	Management could exploit local opportunities	Management implements the strategy of parent company	Management adapts parent company's competencies	Each unit contributes in a differentiated way
Development and knowledge management	The development of knowledge is within each local unit	Knowledge development is at the centre, not transferred	Knowledge development is at the center, and transferred to local units	Knowledge development from all departments and shared between local units

According to Furrer et al. (2001), companies in sectors such as services, with a portfolio of intangible assets, should choose their organization model, according to the degree of transferability and the need of differentiation (table 2).

Table 2. Intangible asset portfolio. Source: Furre et al, 2001

They propose that, for firms of type 1, the multinational form is the best, while for firms of type 2, the best form is the international form. Also, the global form is ideal for firms of type 3 and companies of type 4 should choose the single country form. Furrer et al. (2001) also propose that, "for firms with a balanced portfolio of intangible assets, the ideal organizational form is likely to be the transnational form" (Furrer et al., 2001, p. 344)

The choice of organizational structure can define a set of parameters relating to the business, such as whether the company attracts employees who can contribute positively to the company. Attracting talented employees is a key aspect of the company's competitiveness (Whelan et al., 2010, Schuler et al., 2011). However, to enable the company to attract these candidates should have an organizational structure that allows free their creativity, so the organization would be more open and less hierarchical.

Part B:

b. Training and Development:

Staff training is one of the most important functions of the human resources department. Through education, the staff acquires the skills necessary to perform his duties. Education should not be understood as an isolated event, but should reflect the effort of business for continuous improvement and development (Walker & Miller, 2010).

In our case, the training programme should be based on two pillars:

- The first pillar is the training and education of the personnel in all countries, about the new organizational culture of the company. Until now, there could be some variations in the management approach between countries, leading to different decisions regarding business planning, human resources management, etc. With the new concept, these variations will be eliminated, leading to an integrated and undifferentiated strategy. So, local management would have to be trained about the new concept, in order to be ready to implement the new strategy.

- The second pillar is the management of training: until now, the training in each country could have different structure and methods than the one of the other countries. Under the new concept, staff training should be the same in every country, with a structured methodology.

A key point about training local managers on this new concept is whether the cultural differences will be respected, or, on the other hand, international managers will not pay attention on cultural awareness. In our point of view, although management have chosen to implement a unique strategy, without differentiation between cultures, at the same time would have to ensure that all cultures are equally respected and should ensure local managers that while they are expected to follow certain methods, they have, at the same time, the ability to make proposals, which all would be examined and reviewed by top-level management.

About the second pillar, the management of the HR department in the headquarters, should clarify the educational objectives of each department (Walker & Miller, 2010). Once the needs and objectives have been stated , the HR department is planning to implement the program (Go et al., 1996). Thus, determining the length of the program, the structure and content of the program, the teaching methods, the required resources (eg, logistics, audio-visual material), trainers and criteria for evaluating the program and participants.

Upon completion of the course, is the assessment of learners, whether the anticipated knowledge and skills acquired (Walker & Miller, 2010).

Until now, this process could be differentiated between countries and local managers. Now, this process should be standardized and defined. Thus, the human resources department can set standard forms, as follows (Figure 4), which describes the flow chart of the training program.
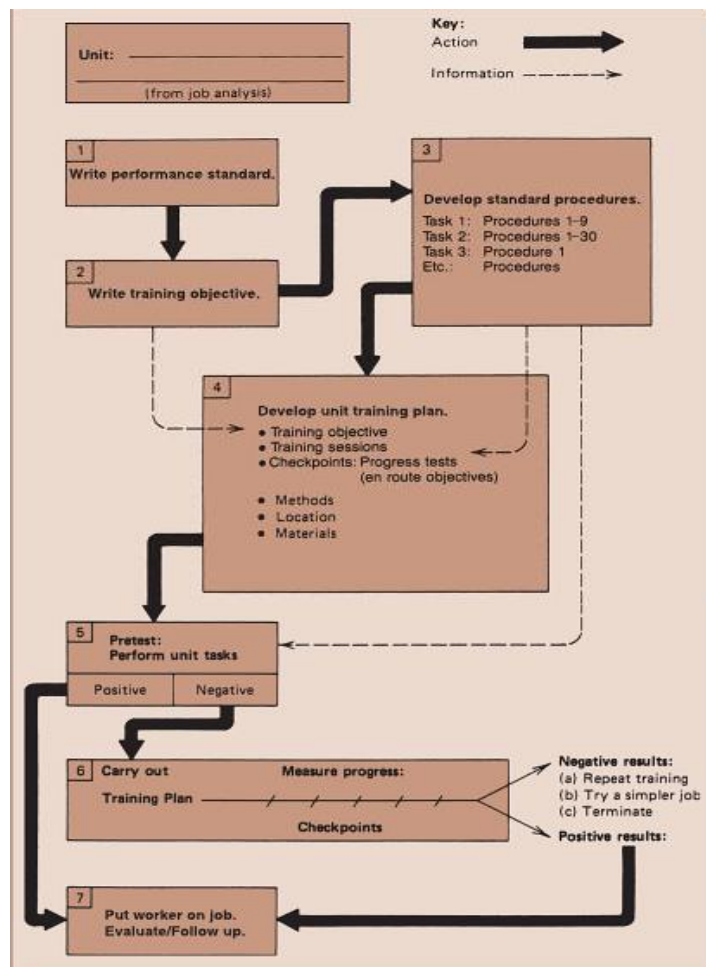

Figure 4. Training program flowchart. Source: Walker & Miller, 2010, p. 250)

The critique for the standardized process is that the company is not taking into account potential cultural differences. since the educational goals are the same for each country. On the other hand, without standard procedures and without training staff on them, management would not have a single way to measure the success and the effectiveness of personnel (Go et al., 1996). So, international managers would have to implement an educational program which would cover all of the local needs.

c. Performance and Reward Management:

i. Reward:

Reward management could be a very complicated task in the case of a company with subsidiaries in many countries, like in our case. Although the company decided to follow a unique management methods and tactics, the issue of rewards has to take into account factors such as the legislation in each country about wage, insurance and employment, the cost of living, the taxation, the condition of the economy in each country, etc.

For example, if management would decide to provide benefits other than a higher salary to employees as a reward, in some countries (for example, Greece and Germany) these benefits are been accounted as income, with the according taxes, while in other countries, like USA, these benefits are not been counted as income. Also, in many countries (mostly in Europe) there is a minimum wage, so company would have to follow this legislation, while in other countries there is a higher level of flexibility in wages and insurance.

Since LCI has subsidiaries in more than 50 countries, company has to implement a pay structure, based on the following elements:

- Determination of internal equity among jobs
- The minimum level of compensation (through legislation and market conditions)
- The maximum level of compensation (through market conditions)
- Determination of pay grades.

According to these elements, management would follow the same principles and the same policy between countries, although the salary (for each position) among countries will differ.

ii. Performance:

For an organization, effectiveness and performance are the key elements of success, and motivation is one of the most important factors to ensure that employees are willing to be more productive and effective. Theories about motivation are based on the needs and desires of individuals, which could vary by the passage of time, and also vary from one person to another. A series of theoretical analyses are approaching the issue of motivation to reward and punishment (Cardona et al., 2003). Analysis of Locke (1997), shows that motivation is determined by the pursuit of achieving objectives and the relationship between needs and wants of people, both in relation to themselves, and in relation to the environment in which they belong.

Ichniowski et al (1997) point out that the evaluation of employees, which will be linked to the appropriate provision of rewards, is able to encourage employees to work not only more, but most efficiently and thus increase business productivity. Performance-related pay could be not only a motive for employees, but also could be a clear signal that company provides equal opportunities for all and also is recognizing the efforts of each employee.

Part C:

LCI's transition from a diversified strategy to an integrated one, in fact represents an organizational culture transition. Organizational culture refers to how a company operates, since each organization has a different set of values and beliefs. Organizational culture is significant for every organization, since it guides the direction that the company should follow, shaping a framework for the employees' behaviors, attitudes and values, and creating a harmonious environment (Blyton & Turnbull, 2004). Partridge (2007) argues that organizational culture is a set of values, beliefs, policies and traditions that shape a framework for an organization within which one should think and act.

The new management concept, from one point of view, has many positive elements: standardization in processes and management practices allows better evaluation, since the criteria are common for all and there are no "ad hoc" exemptions. Thus, central management would have a clearer opinion about the effectiveness of each country's management.

On the other hand, since this model is a centralized one, creativity and innovation are reducing. As Csikszentmihalyi notes, creativity is "a system composed of three elements: a culture that contains symbolic rules, a person who brings novelty into the domain, and a field of experts who recognize and validate the innovation" (Csikszentmihalyi, 1997, p. 6). According to Csikszentmihalyi, creativity, in order to exist and develop, has cultural, societal and environmental/biological elements (figure 5). Thus, a better environment gives the opportunity for creativity and innovation to grow.
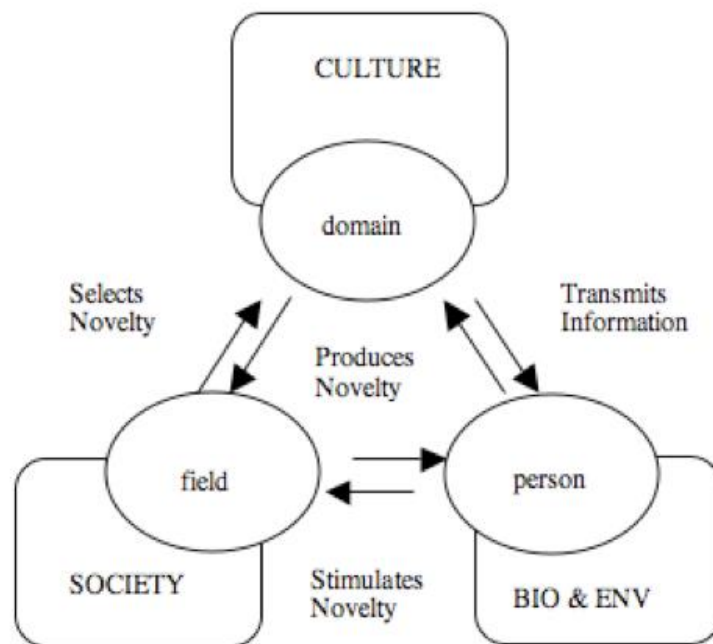

Figure 5. The three elements of creativity. Source: Csikszentmihalyi, 1999, p. 315

According to Sawyer (2006), creativity and innovation does not arrive from the unconscious, and it's a myth, as well, that creativity is a spontaneous inspiration; rather is a product of the interaction between the individual, the firm and the environment, as well as the way firms are organized. Henry (2001), in his study showed that innovation and creativity are, in fact, a different view about the organizational schema of the firm. In order to be creative, organizations need to have a different type of organization than the hierarchy model (figure 6).
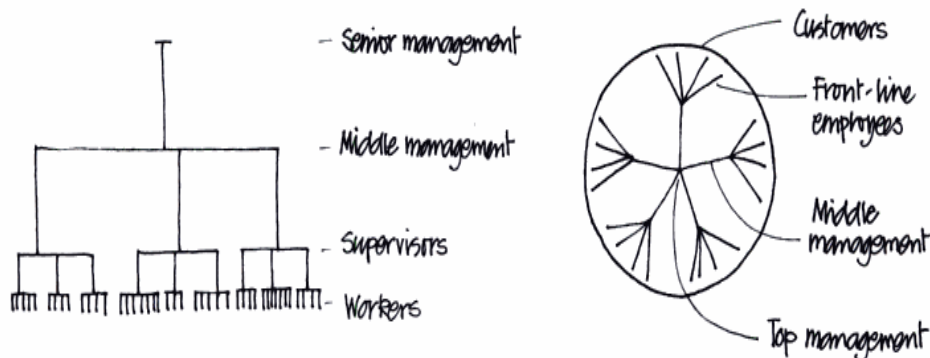

Figure 6. Two views of the organization. Source: Henry, 2001, p. 54

So, regarding the subsidiary in Germany and the HRM there, this new management concept could be viewed as less flexible and less open, thus less creative and innovative. Although HR managers in Germany can implement tested procedures, based on benchmarks, on the other hand, they have less space to apply the procedures and methods they believe as more appropriate. For example, regarding rewards policy, since there is a unique, undifferentiated approach, they would not be able to propose rewards which are closely related to the German culture and which would be much more appreciated by personnel as a valuable reward. For example, to reward a German employee with an opera ticket would represent, for him, something more valuable than giving him, as a reward, a money bonus.

Another aspect of the new management system has to do with the difficulty of employees to adapt with it. Not every organization finds it easy to implement changes in its system, functions and structures, due to the fact that there are resistances to changes on behalf of the employees. This resistance stems from the unknown future and the loss of familiarity with the known. there are four reasons for which employee may resist to change (Luecke, 2003): a) focus on narrow self-interests; b) lack of trust and misunderstandings; c) conflicting evaluations; d) low tolerance for change.

One of the major aspects of change management is the re-organization of human resources, not just regarding the number of employees, but how willing they are to accept the changes. In fact, employees' and managers' resistance to changes is a key-source of the total failure of change management programs (figure 7).
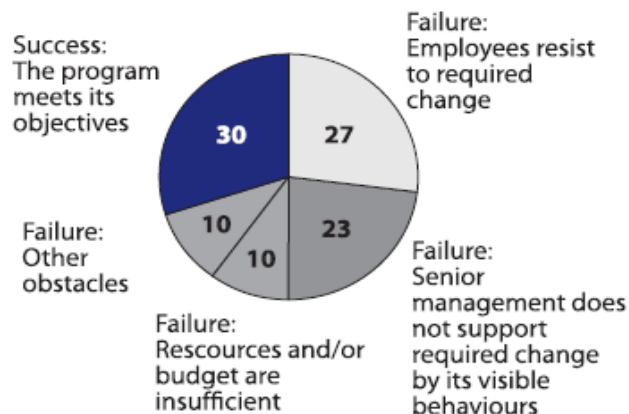

Figure 7. Reasons of change programs failure. Source: Keller & Aiken, 2007, p. 4

International managers could assure local managers and employees that their experience and knowledge of the local market is valuable and top management will be willing to have their opinion, about issues regarding potential problems due to cultural differences. So, international managers should ensure local managers that company is following the multicultural model. The existence of various and multiple cultures can work boosters for all, to the extent that each party has been respected by the other parties. As Liu (2007) notes: "multiculturalism (pluralism) ideology supports tolerance for diverse cultures and accepts equal participation from all groups" (Liu, 2007, mentioned in Tadmor et al., 2010). As Hughes (2009) notes, by setting cultures as equal one to another, the organization could have less conflicts and would be more productive.

Also, international managers should emphasize that, by following this new concept, company will have better procedures regarding quality assurance. Quality assurance is essential for any company producing product, either material or immaterial. However, the need to ensure the potential and the actually existing customer on the fulfilment of quality standards is essential in services, as they have the issue of intangibility (Baron 2010). According to Crosby, quality can be defined as 'conforming to requirements' (Crosby 1984, mentioned in Palmer, 2003), or, in other words, the distance between what the customer expects to receive and what he/she is in fact receiving. Thus, the total customer service has to do with the interaction he/she has with the personnel. So, by having a standard training program, and by standard

procedures about compensation, bonuses, hiring, promotion and evaluation, quality would be at the highest level (figure 8).
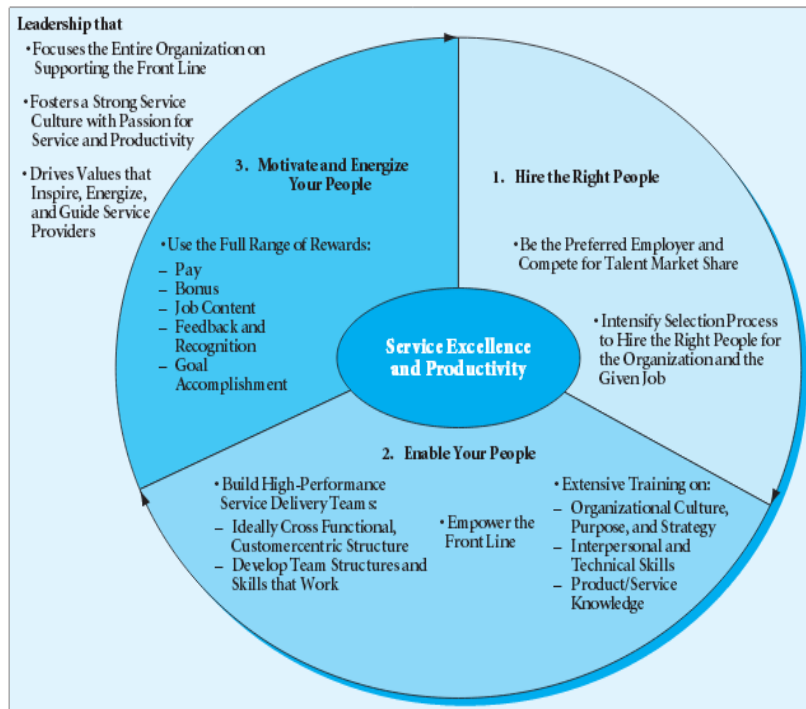

Figure 8. Quality Assurance Management in Human Resources. Source: Lovelock & Wirtz, 2010, p. 291

2. CONCLUSION

In this analysis, we examined the transformation from the international organizational model to the, more centralized, global organizational model. The analysis showed that there are a number of difficulties regarding this change: first of all, there are cultural issues which have to be resolved. Until now, although subsidies had to follow the main rules and procedures of the central company, local management could take decisions regarding issues like human resource management. This level of freedom was providing local management the opportunity to acquire new knowledge and to be able to cope with changes of the external and the internal environment. Also, this level of freedom was a parameter of innovation and creativity, something that is very important for effectiveness and productivity.

On the other hand, since company is operating in more than 50 countries worldwide, it would be difficult to evaluate each country's management effectiveness, if there were different procedures, different decisions and different measures for each one of them. Except of that, quality management could be assured through standard procedures, especially regarding human resources. Education and training are crucial factors of quality and effectiveness, thus the process should be standard. Also, is extremely difficult for a company to have different reward management in each country, so a unique base about rewards and compensation is essential.

Regarding the implementation of the new strategy, international managers have a key role., since they have to assure local managers that the proposed changes will provide better results, both for them and for the whole company.

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