



Global HR Issues Today

From The Perspective Of A Global Executive



William Edwards, CEO
EGS LLC
bedwards@egs-intl.com

November 2010

Our Agenda This Morning

- **William Edwards' international background**
- **International HR Issues – an expat executive view**
- **How Countries Compare**
- **4 'Outsourcing Markets'**
- **The Place Of Culture In International Business**
- **Closing Trends**



www.egs-intl.com/pihra.pdf

William Edwards

38 years experience working on projects in 66 countries

US company expatriate executive based in China, the Czech Republic, Hong Kong, Iran, Indonesia and Turkey – 1974-2001

Has worked in the oil & gas, business service and licensing sectors

Since founding EGS in 2001, he has taken more than 40 US brands into 30 countries

A few of the companies Mr. Edwards works with:



Society for Human Resource Management

“As the global market expands, so does the role of HR.

In a global economy, where organizations and employees span countries and continents, keeping pace with international HR issues is not just important.



IT’ S ESSENTIAL.”

The Global Professional in Human Resources (GPHR®) certification is designed for the HR professional who:

Has HR responsibilities that cross national borders

Understands the strategies of globalization versus localization of HR policies and programs

Establishes HR policies and initiatives that support the organization's global growth and employer reputation

Designs organizational programs, processes and tools to achieve worldwide business goals

Has core knowledge of the organization's international HR activities



From the PIHRA website

Forces reshaping the global economy: McKinsey Global Survey – May 2010

“An ongoing shift in global economic activity from developed to developing economies, accompanied by growth in the number of consumers in emerging markets, are the global developments that executives around the world view as the most positive for their own companies’ profit.”



World Economy Consensus: September 2010

Worldwide GDP growth in 2010 continues to show monthly improvements, now pointing to +3.7% expansion overall (after a 1.8% contraction in 2009)

Growth will be uneven, with Asia-Pacific now expected to expand by +6.3% in 2010 and +5.1% in 2011, and Latin America to be +5.1% and +4.6%

Developed countries continue to lag behind, with North American and Western Europe growth revised down to below 3% for both 2010 and 2011



Miles White, Chairman and CEO of Abbott, a pharmaceutical and medical products company

“The countries driving recovery—and with the most potential to propel it into the future—technically fall under the heading of emerging economies.

Brazil, Russia, India, China—these large, emerging economies are expected to grow faster than established markets by four to five percentage points annually between now and 2015.

Marketing 101 shows us the critical four ‘P’ s are: product, price, place and promotion.

For global success today you must have: people, products, presence and perseverance.”



Wall Street Journal, 11/12/2010

A Few International HR Issues

- **Non-home country management**
- **Outsourcing**
- **Predicting future HR directions**
- **Currency issues**
- **Cross cultural issues**



Non-home Country Management

- In the 1970-1990 timeframe most US company international management was from the US parent company: expatriate HR issues
- Today this is cost prohibitive plus excellent in-country/regional management talent is available
- This means you have to deal with different salary and benefit packages by country or region
- And cross cultural management issues



Advantages Of Outsourcing

- **Outsourcing your non-core activities will give you more time to concentrate on your core business processes**
- **Outsourcing can help you streamline your business operations**
- **Outsourcing can make your organization more flexible to change**
- **Your organization can save on investing in the latest technology, software and infrastructure as your outsourcing partner would be investing in these**
- **Outsourcing can help your organization to free up its cash flow**
- **Outsourcing can give your business a competitive advantage**



Disadvantages Of Outsourcing

- **When outsourcing services such as payroll processing services and tax preparation services, there could be a threat to security and confidentiality in outsourcing**
- **In case your offshore service provider becomes bankrupt or goes out of business, your organization will have to immediately move your business processes in-house or find another outsourcing provider**
- **The employees in your organization might not like the idea of you outsourcing your processes and they might express lack of interest or lack of quality at work**
- **In outsourcing, you may lose your control over the process that is outsourced**



The Future Of Outsourcing?

microtask HOME COMPANY SOLUTIONS BLOG

One Billion tasks per day
distributed work platform for enterprises
microtask

Distributed work, refined for your needs
Microtask enables seamless, real-time and scalable on-demand outsourcing. Our service is based on our proprietary service platform, which automatically divides assignments into tasks, distributes them and then collects the results. With our pay-as-you-go pricing model, this translates to increased efficiency and lower fixed costs.

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New Blog Post: How many #microtasks does it take to change the world?
<http://bit.ly/9BN2Fq> #social #media
2 hours ago
Programming #crowds according to #MIT
<http://bit.ly/cplioq>
5 hours ago
The Economist writing about TxtEagle
<http://econ.st/aPBc9d> and virtual outsourcing
18 hours ago
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Contact Microtask info@microtask.com Boulevard 1, FI-00100 Helsinki, Finland, +358 9 434 12727

‘Distributed Work’???

GlobalTeam™: EGS Associates Around The World

Australia - Rod Young - Deacons Strategy

Australia – Melanie Heskin - USCS

Belgium/EU – Stephane Croigny – USCS

Benelux – Nick Boury – SAM Group

Brazil – Ursula Alexio – EGS Director

Brazil - Bernard Jaeger – Consultant

Brazil – Paulo Rodrigues – USCS

Canada - Ned Levitt - Gowling Lafleur Henderson

Chile – Veronica Pinto – USCS

China General – James Liu – FranChina

China General – Eric Wolff – USCS

China Chengdu – Bill Marshak – USCS

China - Chris Wingo - China Sage Consultants

China Guangzhou - Cathy Wong – USCS

Colombia – Nicole DeSilvis - USCS

Croatia – Damjan Bencic - USCS

Cyprus – Ephie Charalambidou - USCS

Czech Republic – Jana Ruckova – USCS

Egypt – Cherine Maher - USCS

France - Rose Marie Faria – USCS

Greece – George Bonanos - USCS

Hong Kong - Swee-Keng Cheong – USCS

India (Chennai) - Mala Vencat - USCS

India (New Delhi) – Smita Joshi – USCS

India – Asim Khan & Rajeev Manchanda - Inventure

Indonesia – Henry Sutanto - USCS

Ireland - Finola Cunningham – USCS

Italy - Giuseppe Bonani - Quadrante Franchising

Japan - Ichiro (Roy) Fujita - I. Fujita International

Malaysia – Tray Teoh – USCS

Newport Beach – Kristin Houston – USC

Mexico - Ferenz Feher - Feher & Feher

Middle East – Sary Hamawy - FranExcel

New Zealand - Stewart Germann – Attorney

Scandinavia - Bo Zoffman - PS4

Singapore - T. K. Lee - Asia Franchise Networks

Singapore - Swee-Hoon Chia – USCS

South Africa – Maretha Malan - USCS

South Africa – Miranda Isaakilis

South Korea – Grace Sung – USCS

Spain - Josan Garcia - G2A

Turkey - David Tonge - IBS Research & Consultancy

Turkey - Ebru Olcay - USCS

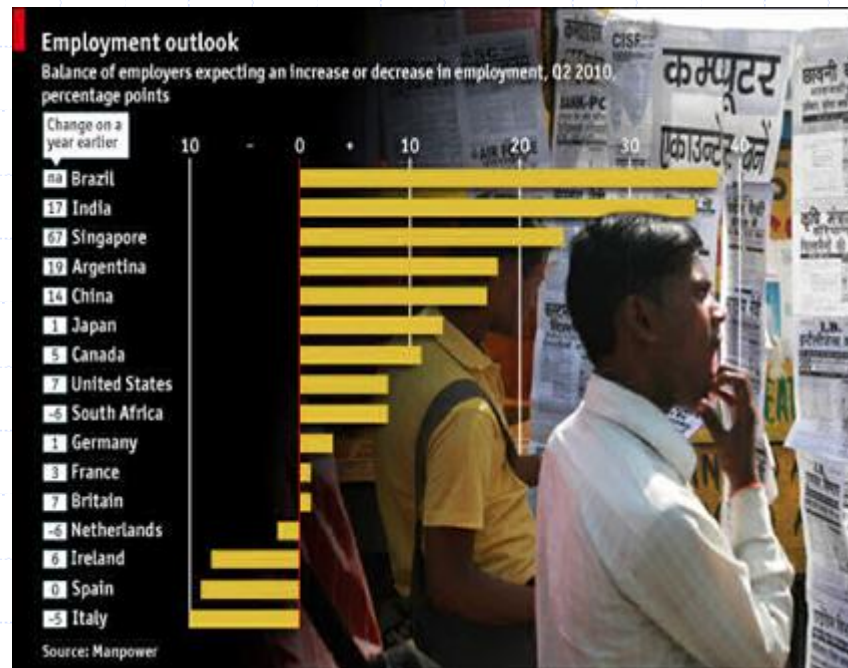
UK – Iain Martin – Howarth Group

Vietnam – August Bao – US/VN law firm

Vietnam – Le Anh and Ha Anh - USCS



Global Job Growth in 2010?



- In 75% of the countries recently surveyed by Manpower, more companies said they expected to add jobs in 2010 than planned to reduce their workforce
- Throughout Asia companies have become more optimistic about hiring than they were a year ago
- Things look less rosy in Europe.
- Of the four countries where the outlook has darkened, three are in Europe.



‘Economist’, March 11, 2010

IBM Chief Human Resource Officer Study – October 2010

- **IBM's researchers surveyed 707 HR leaders of companies of all sizes around the world.**
- **Looking ahead three years, their companies' top issues will be the introduction of new products and services, expansion, and improving efficiency.**
- **Much of that growth will be in India and China, as global businesses from mature countries.... broaden their market. Companies in China and India and other developing nations will look to expansion in the mature markets.**
- **These (emerging market) companies will be competing for talent at just the time most economists expect American companies to also be expanding and adding employees.**



Big Mac Index

The Big Mac index compares the price of a Big Mac package globally

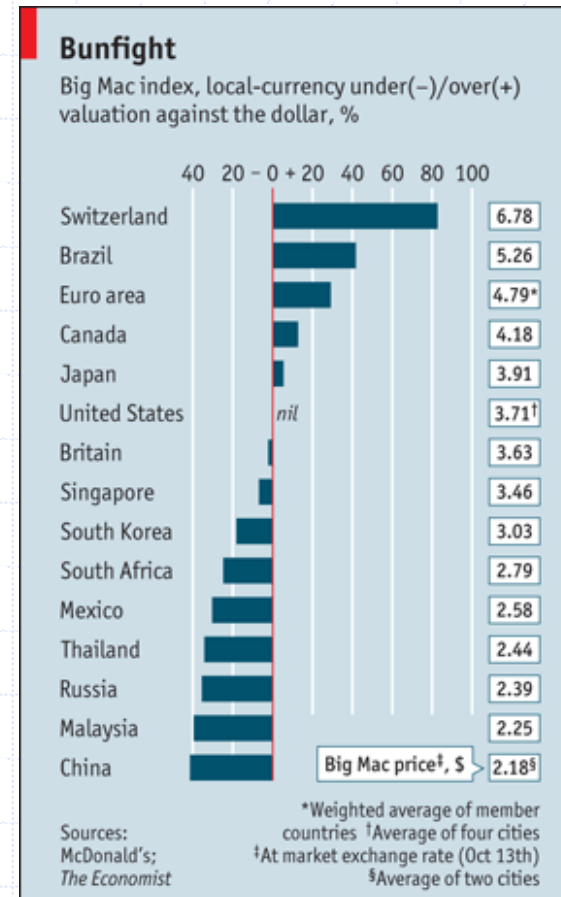
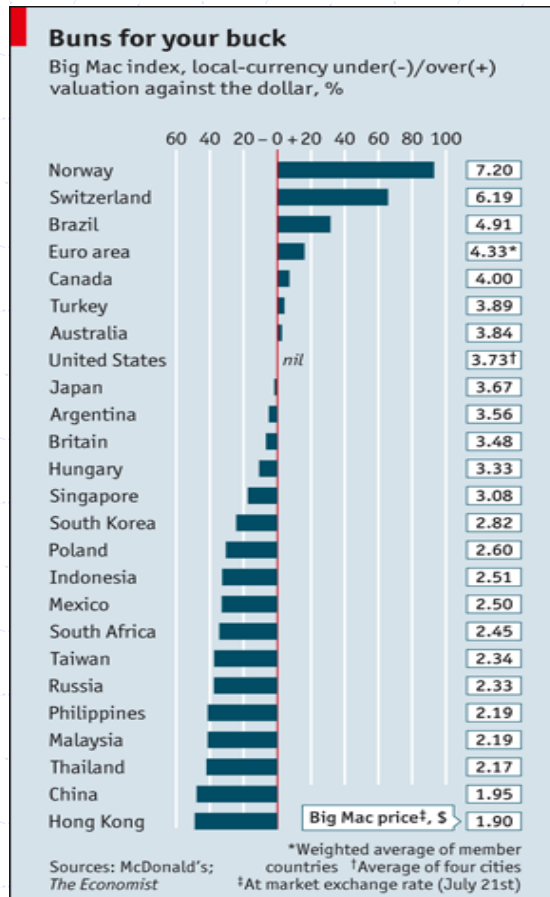
In Oslo you pay US\$7 for a Big Mac. In Shanghai you pay US\$2 for the same meal

Labor and rent costs usually make the difference between countries.



‘The Economist’ – March 2010

How The Index Compares Over Time

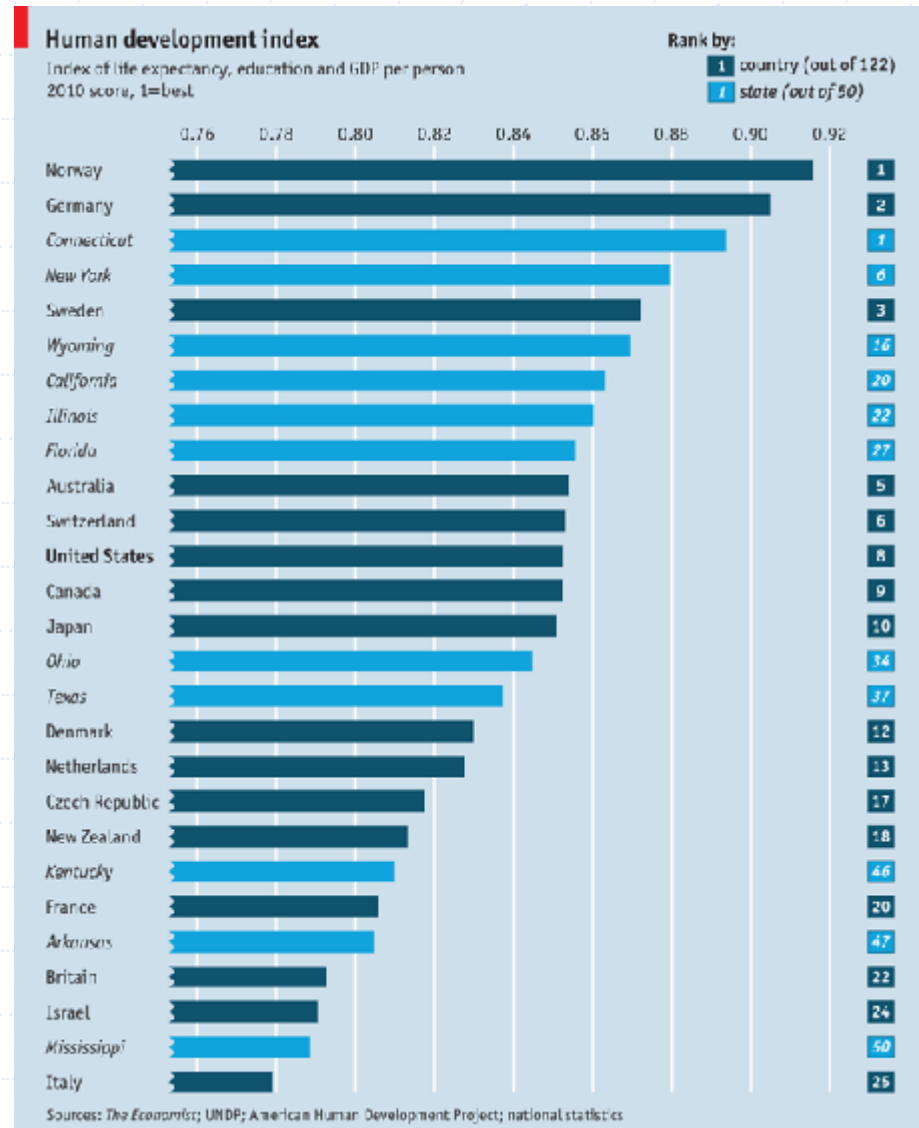


**Brazil: US\$4.91 to US\$5.26 and China: US\$1.95 to US\$2.18 in 4 months?
7-11% decline in the US\$ exchange rate**

Human Development Index

The United Nation's human development index (HDI) is an attempt to give a snapshot of a country's success by combining three important indicators: health (life expectancy), education and wealth (GDP per capita).

'The Economist',
11/16/2010



Factors To Consider When Deciding Which Countries To Enter

Rule of Law

Country Stability

Intellectual Property Protection

Clear Market Differentiation

GDP Growth

Potential to Achieve An Acceptable ROI



GlobalVue™ - How Countries Compare

'1' Is Best, '4' Is Worst

Country Or Region	Expected 2011 GDP Growth	Ease Of Starting A Business	Market Size	Ease Of Market Entry	Legal Concerns	Political Risk (Stability)	Overall Ranking
Brazil	1	3	1	2	2	1	1.7
Singapore	1	1	4	2	1	1	1.7
Urban China	1	2	1	2	2	2	1.7
South Korea	1	1	2	2	3	2	1.8
India	1	3	1	3	2	2	2.0
Indonesia	1	3	1	2	3	2	2.0
Viet Nam	1	4	2	1	2	2	2.0
Malaysia	1	3	2	3	3	2	2.3
USA	2	1	1	1	2	1	1.3
Canada	2	1	2	2	2	1	1.7
Australia	2	1	2	3	2	1	1.8
South Africa	2	2	2	1	2	2	1.8
Chile	2	2	3	2	2	1	2.0
Mexico	2	2	1	2	2	3	2.0
GCC	2	3	2	2	2	2	2.2
Poland	2	2	2	2	3	2	2.2
Russia	2	3	2	3	4	3	2.8
Japan	3	1	1	2	2	1	1.7
United Kingdom	3	1	1	2	2	1	1.7
Germany	3	1	1	3	2	1	1.8
France	3	2	1	3	2	1	2.0
Czech Republic	3	2	3	2	2	2	2.3
Spain	4	1	1	2	2	1	1.8



Sources: 'The Economist', Heritage Foundation, World Bank, Fraser Institute, World Economic Forum, EGS Global Network

Economic Freedom Index: How Easy Is It To Start And Grow A Business

1	Hong Kong	64	France
2	Singapore	65	Saudi Arabia
3	Australia	67	Turkey
7	Canada	72	South Africa
8	United States	113	Brazil
11	United Kingdom	124	India
19	Japan	140	China
23	Germany	143	Russia
31	South Korea	144	Viet Nam



This Fraser Institute index ranks 180 countries on how easy or difficult it is to start and grow a business, '1' is best

Brazil – A 1st World And An Emerging Market



180+ million people

~50 million in 4 major metro areas

High GDP growth, low Inflation

Strong democracy

Very rapidly growing middle class

Strong desire for US brands



Asia – Decade Of The Tiger?

The Changing Balance of Economic Power

- 34% of the global stock market capitalization
- 34% of the world's economy (using Purchase Power Parity)
- 60% of the world's population
- 67% of the growth in world energy demand since 2000
- 33% of the world's retail sales in 2009
- 35% of the world's new car sales in 2009
- 40% of new global investment in 2009

By 2020, Asia may produce 50% of the Western multinationals' sales and profits



Source: Economist Intelligence Unit, March 2010

China: Land of Highly Varying Incomes

There are 750,000+ residents of Greater Shanghai with annual incomes of US \$25,000 or more (US\$70,000 US equivalent)

China's overall GDP/capita is US\$4,900 versus US\$9,400 in Brazil and US\$2,500 in India

50,000 Yuan = US\$7,400



'Economist' – 8/2010

China: Land of Opportunity and Diversity

Many markets and cultures in one country

40 million Chinese households have the purchasing-power parity of a middle class US family (McKinsey)

~250,000,000 middle class urbanites look for foreign brands with more convenience and higher quality than local brands



There are 3,500+ KFC and Pizza Hut locations in China



China – Rising Salaries

Electronics maker Foxconn Technologies, has increased salaries by two-thirds at its factory in Shenzhen in 2010, bringing salaries to 2,000 yuan (US\$300) per month.

Workers at a Honda auto parts plant in southern China seemed likely to accept a new pay deal to resolve a week-long strike as labour unrest continued to ripple across China.

Besides Honda, other pockets of labour strikes have emerged across China, including two strikes at a parts supplier for Japan's Toyota Motor Corp.

Spreading discontent among an estimated 130 million strong pool of migrant workers could erode China's competitiveness as a low-cost global factory hub.



India



200 million English speaking Middle Class

6%+ GDP growth in 2010

World's 12th largest economy

Strong cultural focus on education, professional and financial achievements

Burdensome trade and licensing restrictions are slowly going away



Indian Market - 2010

- 500+ malls under development
- Younger generation comfortable buying on credit
- Strong desire for US retail and food brands and business systems



Doing Business In India

- **Networking, face to face meetings and building relationships are key for business success**
- **Bargaining and negotiating is part of the Indian lifestyle**
- **“Indians appreciate punctuality but do not always practice it themselves!”**
- **Indian business people expect you to have the latest wireless and computer communication tools so they can contact you at any time**
- **Get to the top of the company if you want business decisions**



Viet Nam

86 million population

2010 GDP growth rate = 6%

Extremely pro-American

Rapidly growing Middle Class

Government encouraging
manufacturing – fairly low hourly
salaries



The World Is Not Flat

- Culture – a system of socially acquired values, beliefs, and rules of conduct which define accepted behaviors in a society
- **Cultural differences distinguish societies from one another**
- Within societies ... demographics, organizations and individuals
- The good news for International business development ...
 - Small world - easier to understand and capitalize on global markets
 - Business culture and business language are defined



Linear Active Cultures

- **North America, Australia/NZ and Northern Europe**
 - **Time is money - we are transactional**
 - **Task focused**
 - **Individualistic**
 - **Entrepreneurship rampant**
 - **‘John Wayne’ approach**



Multi Active Cultures

- Mediterranean, L. America, Middle East and India
- Relationship FIRST and BEFORE business
- Then do business
- Interruptions are common and OK
- “10 minutes of business points and then the rest of the meeting was relationship”



Reactive Cultures

- **Asia (except India)**
- **Similar to Multi Active except:**
 - **Quiet, Listeners, Thinkers**
 - **Relationships first**
 - **Major exception - group orientation and decision making**



Business Culture in Brazil, China, India & Viet Nam

- **Brazil**
 - The lack of punctuality is a fact of life. So be prepared to wait for appointments
 - Establishing strong, long term relationships are key to business success
 - Aggressive business negotiations are a no-no
- **China**
 - Chinese will drag out negotiations just to gain an advantage – be prepared to stay longer
 - Chinese consider themselves superior to other Asians: Middle Kingdom
 - Punctuality for appointments is important
- **India**
 - Networking, face to face meetings and building relationships are key for business success
 - Bargaining and negotiating is part of the Indian lifestyle
 - Get to the top of the company if you want business decisions
- **Viet Nam**
 - The discussion of politics is a no-no
 - Entrepreneurship is rampant – business people are eager and aggressive
 - Punctuality is key, be on time to all business engagements



How To Work With All Cultures

- Understand which type of culture is involved
- Understand what is NOT being said
- Be aware of body language
- All of the above may be more important than what is actually said by Candidates
- Ask questions to confirm communication and understanding of key points
- Always confirm agreement on key points



For the first time in history more than half the world is middle-class

The middle class consists of people with about a third of their income left for discretionary spending after providing basic food and shelter

As people emerge into the middle class, they think and behave differently and are more open-minded

They are more likely to invest in new products, new technologies and new businesses than the rich, who tend to defend their existing assets

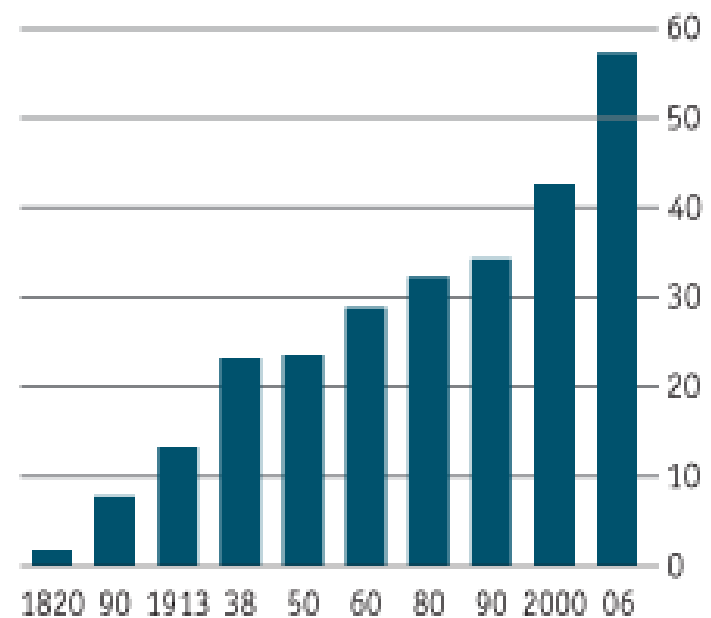
The emerging market Middle Class likes to show they have 'made it' by shopping at Western branded businesses



Relentless rise

2

Middle-class population as % of world total



Source: Surjit Bhalla, *"The Middle Class Kingdoms of India and China"* (forthcoming)

'The Economist' – 2/14/09

In Summary

**“In a global economy, where organizations and employees span countries and continents, keeping pace with international HR issues is.....
ESSENTIAL.”**

Knowledge of how to do business and the culture of countries is also essential for you to operate efficiently

The growing global middle class represents a huge market for US companies....and a challenge for you!



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Why Excellent Companies Work With EGS

EGS takes companies into carefully selected countries using experience, processes, systems, research and a network that maximize Return On Investment

Our Processes – Defined, proven, trademarked, ROI results focused

Step 1 - Assessment Of International Potential And Internal Readiness

Step 2 - Create The International Business Plan – Where, How & When

Step 3 - Implement The International Plan In Carefully Selected Countries

Step 4 – Start-up Initial International Operations

Our Network – 40 proven Associates worldwide

Experience – Our Principals have 110+ years experience in 60+ countries, across many business sectors and cultures and as operating executives

Expertise – Global trend research, newsletters, marketing events, courses, speaking, articles, blog and in-market research



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+1 949 224 3896