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Global Employee Relations: Organizational Structure and Design

Donna L. Zeller

Version 2020

*See Global Employee Relations (ER): Home and Host Country Effects
(Spring 2012, Revised Fall 2016)*
*See Global Employee Relations (ER): Business Strategies and Objectives
(2020)*

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Abstract

The overall objective of this paper is to identify any relationship between global employee relations and organizational structure and design in the transnational model of multinational organizations. Whether global employee relations influence or is influenced by the organizational structure and design in the transnational model of multinational organizations is one part of the issue. Another possibility to be considered is if practices do differ from the formal global employee relations policies; then why, when, and how do the practices change? In addition, recommendations for the role of strategic human resource policies and practices in global employee relations policies and practices are presented.

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As firms expand into other countries, national issues, such as government involvement and unions, may add complexity to the introduction of employee relations policies and practices (Edwards, 2004, p. 390). The policies and practices may be further complicated in that global employee relations transcend functions, products, and geography; thereby, involving numerous organizational actors with varying levels of influence (Edwards, 2004, p. 392). Moreover, in the dynamic global market, the organizational goals and objectives are likely subjects of continual, and sometimes disruptive, revisions. Thus, global employee relations, the communications between management and employees concerning workplace decisions, grievances, conflicts, problem resolutions, unions, and issues of collective bargaining; is constantly evolving.

The global expansion has also spawned an array of structural design alternatives; most with fewer hierarchical levels that move away from “authoritarian management styles and the separatist titles and privileges of a multilevel hierarchy” (Gallos, 2006, p. 566). The current trend is to acknowledge that there is no ‘one-size-fits-all’ structure that will accommodate an organization’s multilayered obligation to meet strategic goals (Soyka, 2012, p. 153). Thus, the global economy is dominated by businesses with varied organizational structures (U.S. Department of State, *The History of Small Business*, n.d.).

Accordingly, in her study of 100 British manufacturers, Contingency Theorist Joan Woodward “found a wide range of differences in the way they were organized” (Clayton, 2015). Woodward (1970) also “emphasized how changes in markets led to product innovation which then led to changes in technology and subsequently organizational structures” (Hinings &

Greenwood, 2017, p. 135). That is, organizational structure changed as a result of a combination of factors; including market preferences, product innovation, and workforce disruption.

In addition, as traditional job skills became obsolete, organizational design is subject to revision. However, the impact on design changes involves the integration across key organizational systems, the individual empowerment of each component, the adaptation to all environmental situations, and flexibility achieved through the capitalization of knowledge flows and two-way communication. Furthermore, in the growing global economy, design often transcends the boundaries of organizations to ‘fit’ laws, politics, cultures, and geography (Brewster, Sparrow, & Vernon, 2007; Edwards, 2004; Zeller, 2018). Thus, from a business process perspective, structural reorganization is considered before redesign. For one, structural change and outcome can be explained with visual diagrams. On the other hand, changes to organizational design are more difficult to diagram and the impact on the business is more difficult to determine (Burnes & Randall, 2016; Zeller, 2018).

The theoretical framework for this paper will be organizational structure and design in the transnational model of multinational organizations. The objective will be to identify any relationship between global employee relations and the organization’s structure and design in the transnational model of multinational organizations. The primary question is: What is the relationship, if any, between global employee relations and organizational structure and design? (Zeller, 2020).

Definitions of Terms

Note that the following terms, employee relations, industrial relations, and labor relations are sometimes used interchangeably. For this paper, the definition of the term employee

relations will be applied to the analysis.

Employee Relations: “Communications between management and employees concerning workplace decisions, grievances, conflicts, problem resolutions, unions, and issues of collective bargaining” (BusinessDictionary.com, n.d.).

Industrial Relations: In comparison to employee relations, industrial relations are “employer-employee relationships that are covered specifically under collective bargaining and industrial relation laws” (BusinessDictionary.com, n.d.).

Labor Relations: “The ongoing relationship between an employer and union members or other defined groups of employees” (YourDictionary.com, n.d.).

The following definitions are also applicable to this paper:

Organizational Structure: According to Mintzberg (1972), “organizational structure is the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals” (Ahmady, Mehrpour, & Nikooravesh, 2016). Basically, “organizational structure determines how the roles, power, and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management” (Business Dictionary.com, n.d.).

Organizational Design: Organizational design, a central concept of organization theory, is defined in several ways. Frequently, it is defined as “the manner in which a management achieves the right combination of differentiation and integration of the organization’s operations, in response to the level of uncertainty in its external environment” (Business Dictionary.com, n.d.). “Differentiation refers to the subdivision of functional or departmental units, each concentrating on a particular aspect of the organization’s operations. Integration refers to the linking of differential units to achieve unity of effort in working toward the organization’s goals” (Business Dictionary.com). In addition, it is defined as “a formal process of integrating people, information and technology together in the right mix to achieve objectives” (Study.com, n.d.). Organizational design is also a step-by-step methodology which can be applied to “identify dysfunctional aspects of workflow, procedures, structures and systems, realign them to fit current business realities/goals and then used to develop plans to implement the new changes” (Allen, n.d.).

Transnational Model of Multinational Organizations: Based on Bartlett and Ghoshal’s models of globalization (1989), the transnational approach, selected for this

research, invites the transfer of practices to, from and within the affiliates; parent organization and subsidiaries are aware of their own role as well as the role of others. There is high pressure for integration and high pressure for differentiation; knowledge and innovation is developed and distributed within the entire organization. In the transnational model, the practice of knowledge sharing also recognizes the benefits gained from local responsiveness and adaptation (Bartlett & Ghoshal, 2009).

Objective

The overall objective of this paper will be to identify any relationship between global employee relations and organizational structure and design in the transnational model of multinational organizations. Whether global employee relations influence or is influenced by the organizational structure and design in the transnational model of multinational organizations is one part of the issue. Another possibility to be considered is if practices do differ from the formal global employee relations policies; then why, when, and how do the practices change? In addition, recommendations for the role of strategic human resource policies and practices in global employee relations policies and practices will be presented, as well.

Problem Statement (Excerpts from Zeller, Spring 2012, Revised Fall 2016).

Primarily, “labor relations in any country are greatly influenced by the globalization of economic activity”; thus, contributing to the difficulty in transferring employee relations across all regions (Katz, Kochan, & Colvin, 2015, p. 5). From the organizational viewpoint, the difficulties include a lack of alignment between employee relations and the corporate strategy and culture; a lack of commitment of line management to implement employee relations policies; and a lack of flexibility in the employee relations policies themselves to meet shifting business demands (The Pennsylvania State University, 2012). In view of those issues, the objective of

this paper will be to understand the relationships of global employee relations and organizational structure and design in the transnational model of multinational organizations.

Research Methods

According to Creswell (2013), “case study research is a qualitative approach in which the investigator explores a real-life, contemporary bounded system (a case) or multiple bounded systems (cases) over time; through detailed, in-depth data collection involving multiple sources of information and reports a case description and case themes” (Creswell, 2013, p. 97). “The unit of analysis in the case study might be multiple cases (a multisite study) or a single case (a within-site study)” (Creswell, 2013, p. 97).

The research method for this paper includes multiple cases, from multiple sources of information. As an interpretive, inductive form of research, the multiple case study approach will explore the in-depth meanings of experiences in a variety of contexts (Zeller, 2017). A within-case analysis will provide “a detailed description of each case and themes within the case” (Vohra, 2014, p. 59). Then, “a thematic analysis across the cases” will be used to “search for themes that emerge as being important to the development of the phenomenon” (Vohra, 2014, p. 59).

Limitations of Research

Business research has the challenge of meeting the ‘double hurdle’; it must be both theoretically and methodologically rigorous while also meeting the world of practice and being of practical relevance. Basically, powerful, busy executives look for practical consequences of the findings. Hence, in addition to meeting the standard research requirements of advancing knowledge and understanding, business research “also needs to address business issues and

practical managerial problems” (Saunders, Lewis, & Thornhill, 2012, p. 9). While there are several reasons, ranging from differences in research orientations to differences in language, for the lack of incorporating research into business practices; other disciplines such as science and education rely heavily on research evidence (Saunders, Lewis, & Thornhill, 2012).

Discussion

Whereas organizational structure is defined as the framework of the relations of jobs, systems, operating processes, people and groups making efforts to achieve the goals; organizational design is the manner in which management achieves the right combination of differentiation and integration of the organization’s operations, in response to the level of uncertainty in the environment (BusinessDictionary.com, n.d.). Then, “the key philosophy of a transnational model is adaptation to all environmental situations and achieving flexibility by capitalizing on knowledge flows (which take the form of decisions and value-added information) and two-way communication throughout the organization” (Reference for Business, n.d.).

Global employee relations is subject to an array of organizational structures and designs. For this discussion, global employee relations is defined as the communication between management and employees; relative to issues such as the influence of external suppliers on communication; workplace decisions; grievances; conflicts; problem resolutions; and unions and issues of collective bargaining; in the organizational structures and designs in the transnational model depicted in the following cases.

Oreo Cookies

Oreo cookies were introduced in China in 1996. Though a best-seller in the United States, by 2005, the famous cookie had “controlled a mere 3% of the Chinese cookie market”

(Beer, 2012). When Shawn Warren, a native of Kitchener, Ontario, arrived in China as Kraft Foods' newly assigned vice-president of snacks for Asia-Pacific, he was surprised to learn that the beloved Oreo cookie was "just a really small brand in China" (Beer, 2012). Rather than give into the decision to pull the product out of China, Warren and his staff were determined to learn what needed to be done (Beer, 2012). Essentially, they learned that the same product, with the same marketing in a different language, did not work. In addition to "exploiting the appeal that big brands have", they recognized that they had to "adapt products to local tastes" (Beer, 2012). By doing so, within a few years, the Oreo cookie market increased from 3% to 15% (Beer, 2012).

Moreover, the "Oreo model in China has become the company's model for all its other products" (Beer, 2012). One aspect of global employee relations is that organizations lack flexibility in the policies themselves to meet shifting business demands. In this case, the management and employees of Oreo cookies identified problems and possible resolutions. Then, organizational design was applied as a step-by-step methodology to identify dysfunctional aspects to fit current business realities/goals; then the information was used to develop plans to implement the new changes (Zeller, 2016). Basically, the combination of employee relations practices and the methodology of organizational design allowed the flexibility for Warren and his workforce to meet shifting business demands. Furthermore, the transnational model, that promotes adaptation to all environmental situations and achieves flexibility by capitalizing on knowledge flows (which take the form of decisions and value-added information) and two-way communication throughout the organization, served as the framework.

Walmart

Walmart has always been considered a leader in analytics and customer understanding (Ignatius, 2017). However, according to their CEO Doug McMillon, with tech teams in the Silicon Valley, Bentonville, and India, the challenge is in getting employees to work together to use that data to understand consumers (Ignatius, 2017). That is, new markets require retailers, their employees, and vendors willing to change established habits (Ignatius, 2017; Zeller, 2017).

At first glance, Walmart's choice of location appears to be the driving force behind the falling profits in Brazil. Whereas Walmart decided to open stores in Brazil's "deep south and far north", the success of the more established supermarket chains is at least partially credited to their location in key cities, such as Rio de Janeiro (Telesur, 2016).

Another look reveals the impact of unions, particularly in Brazil, where "Walmart had no choice but to accept unions" (Muñoz, Kenny, & Stecher, 2018, p. 15). In the first 15 years of operations in Brazil, Walmart "was characterized by more or less anti-union practices and bad labor conditions" (Muñoz, Kenny, & Stecher, 2018, p.15). However, in recent years, the "Brazilian labor movement has been able to get Walmart to negotiate over 'work rules, overtime, profit sharing, and union representation at the workplace level and union rights in collective bargaining agreements'" (Muñoz, Kenny, & Stecher, 2018, p.15).

Then, the current political climate in Brazil launched a labor reform. Primarily, the main source of income for unions since the 1940s, the mandatory union dues, have been eliminated (Neeser & Carmago, 2019). In response, unions have created new, voluntary union dues. Though the dues are subject to approval by an assembly of union-represented workers, some employers and employees have concerns that not all workers are represented. In an effort "to

avoid the conditions of labor reform, unions labeled these new dues with names like ‘negotiation contribution’, ‘agency fee’, or ‘social dues’” (Neeser & Carmago, 2019). The Courts are addressing the legal issues in “piecemeal’ fashion. Meanwhile, the situation is escalating as unions have included opt-out clauses in their collective bargaining agreements (Neeser & Carmago, 2019).

Global employee relations is the communication between management and employees; relative to issues such as, unions and issues of collective bargaining and grievances. In this case, though location appears to be a factor in the lack of success in Brazil; a contributing factor may be the unions. The changing political and union environment may also prove to be a challenge for future expansions in that country.

In Canada, Walmart purchased the former Woolco stores that were in prime retail locations (Heller, 2015; Zeller, 2017). Notably, the Woolco stores that were not purchased were unionized or were not in prime retail locations. While location was important to Walmart’s success, there were additional factors. For one, Walmart was an early entrant into the Canadian market; hence, the competition was not as intense. Perhaps another factor for Walmart’s success is that it operates the Canadian stores through its International Division; it does not operate the stores like a satellite of the United States (Heller, 2015). Walmart recognizes that Canadian’ shoppers are unique, different than their counterparts in the United States or any other country. All that considered, Walmart’s Sam’s Club wholesale concept was not successful; it closed its doors in Canada in 2009. Some attribute the failure of Walmart’s Sam’s Club to the strength of its competitor in the wholesale concept, Costco, in Canada (Patterson, 2019).

Whereas “in the United States, individuals are more or less left to themselves in their dealings with big companies; the Canadian law upholds the free association of workers” (Meunier, 2019). That law has an impact on global employee relations at Walmart’s locations in Canada, in that the policies and practices are influenced by union activities; e.g. grievances and issues of collective bargaining.

Nevertheless, management at the Jonquière, Quebec, Canada store strictly enforced the do not discuss wages or jobs with other employees policy (Meunier, 2019). Within several months after being hired, the leader of the union activities, Patrice Bergeron, began discussions with “a night shift worker who had contacts at the Confederation of National Unions (CSN)” (Meunier, 2019). That night shift worker, after a meeting with management, decided to leave. Bergeron, then contacted the Federation of Workers of Quebec (FTQ). With the assistance of the FTQ and in spite of continual requests by Walmart management to cease activities, Bergeron attempted to acquire “enough membership cards to get union certification” (Meunier, 2019). Ultimately, after years of trying to organize, Walmart employees were notified that the stores at the Canadian location in Jonquière would be closing (Meunier, 2019).

Initially, Walmart’s experience in Brazil and in Canada appears to be based on a number of issues; including shopper preferences, location, and economic conditions. However, that is not to overlook laws regarding union rules and regulations, as well as union activities, per region and country. That is, global employee relations includes an array of factors; all of which can contribute to the outcome of ventures in the global market.

Sutherland Global

When Sutherland Global was struggling to maintain its market niche, the organization utilized its in-house resources to drive change and innovation to realign its accountant related business to provide an increased emphasis on the company's growing global connected services (Thomas, 2013). In the restructuring of its business, Sutherland Global recognized the need to improve management of "how its global recruiters attract, engage, nurture and convert qualified candidates into job applications" (Cision PR Newswire, 2015). In order to achieve this goal, Sutherland Global adopted SmashFly's Total Recruitment Marketing all-in-one software platform (Cision PR Newswire, 2015). Sutherland's objective in selecting SmashFly was to "centrally manage, automate, and measure every recruiting channel across regions" (Cision PR Newswire, 2015).

However, in a "recently filed class action lawsuit, Sutherland Global is accused of unlawfully withholding compensation from employees in violation of the federal Fair Labor Standards Act. In particular, workers in customer service agent positions (whether at-home or in brick-and-mortar offices) claim to have been denied compensation" (Turner, 2015). According to the July, 2008, United States Department of Labor's Wage and Hour Division, Fact Sheet #64, "call center agents, specialists, and representatives must be paid for 'principal activities' such as: starting the computer to download work instructions, booting up computer applications, shutting down a computer and other systems, and reading work-related emails" (Turner, 2015). Lawyers "are now interviewing additional Sutherland Global remote and on-site customer service agents across the country to determine if their rights were violated and if they recover unpaid wages as part of the class action" (Turner, 2015).

Sutherland did align with the key philosophy of the transnational model in that the organization did adapt to all environmental situations throughout the organization in its restructuring of its accountant related business to provide an increased emphasis on the company's growing global connected services. However, knowledge flow and communication between the workforce and management regarding changes to job and work descriptions is at issue; possibly contributing to the legal case regarding compensation. From a global employee relations viewpoint, the organization did meet shifting business demands. Nevertheless, practices supporting, as well as acting upon, communication between management and employees may have addressed compensation concerns; possibly avoiding litigation.

Summary of Global Employee Relations Issues in Organizational Structure and Design

Workplace decisions can generally be tracked back to where and when they were first made. In some cases, "alternatives are not clearly defined, the right information may not be collected, and the costs and benefits may not be accurately weighed" (Hammond, Keeney, & Raiffa, 1998, p. 47). Other decisions may be affected by the interpretation of market research and use of the results (Zeller, 2017).

In global employee relations policies and practices, communications between management and employees concerning workplace decisions and problem resolutions can be a contributing factor in which alternatives, information, and costs versus benefits may not be fully communicated. Or, if fully communicated, may be discounted. Where unions or representation are involved, as in Germany's Work Councils, employee relations promotes "employee representation, which is systems in a company for considering employees' ideas and wishes, especially by having someone to represent employees at managers' meetings" (Cambridge

Dictionary, 2019). Thereby, giving a voice to decisions that might not, in other situations, be heard. Although in the transnational model, the practice of knowledge sharing recognizes the benefits gained from local responsiveness and adaptation, an understanding of the local region is required. Ultimately, a successful roll-out of the new design requires alignment with strategy; while also stimulating employee commitment, building distinguishing capabilities, and attracting a worldwide customer base (Neilson, Estupinan, & Sethi, 2015).

For example, the immediate and long term success of Kentucky Fried Chicken in China is attributed, in part, to adding items like breakfast congee and rice dishes to the menu (Beer, 2012). That is, regional preferences were recognized, alternatives were implemented, and benefits were recognized. On the other hand, “it is only recently that major western brands have begun to focus on the needs of Chinese consumers” (Beer, 2012).

The following table is a summary of the organizational design and structures; and the global employee relations challenge(s):

Multinational Organization / Product or Service	Location of Challenge	Design* / Structure**	Global Employee Relations Challenge
Kraft Foods / Oreo Cookies	China	Design: Response to the external environment	Shifting business demands: Management and employees of Oreo cookies identified problems and implemented resolutions; e.g. new flavors, packaging, and marketing..
Walmart / Retail	Brazil and Canada	Design: Response to the external environment	Unions and issues of collective bargaining and grievances: Brazil: Current political climate has launched a labor reform; e.g. unfavorable to unions. Canada: Canadian law upholds the free association of workers; however, management upholds strict policies limiting discussion of wages and jobs
Sutherland Global / Process Transformation Services	United States	Structure: Restructured to align with global business	Communications between management and employees concerning workplace decisions: Drive change and innovation through in-house resources; Changing work and job descriptions need to be

			communicated between management and employees to support workplace decisions and problem resolutions regarding those issues.
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*Organizational Design: the manner in which a management achieves the right combination of differentiation and integration of the organization's operations, in response to the level of uncertainty in its external environment

**Organizational Structure: organizational structure determines how the roles, power, and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management

The Role of Strategic Human Resource Management and Global Employee Relations

Policies and Practices (Excerpts from Zeller, 2019 Summer)

What is the influence, if any, of a strategic human resource partnership in the relationship between global employee relations and organizational structure and design? Realistically, in the evolving global market, the organizational goals and objectives are likely subjects of continual, and sometimes disruptive, revisions. Thus, the link between human resources and those goals and objectives is complicated and dynamic. That is, the roles of Human Resource Management / Strategic Human Resource Management are not a linear process. Both the Human Resource Management operational and Strategic Human Resource Management strategic roles require a nonlinear and reciprocal perspective; one that is based on an understanding of the complex system and interrelated elements of an organization, as well as the changing global market.

In their research, Iammarino and McCann (2013) identify the regional, internal, and external factors that may influence an organization. In the multiple venue, organizations may be divided as well as integrated; with units and subunits that may operate in opposition to the headquarters (Holden, Michailova, & Tietze, 2015; Zeller, 2017). Thereby, supporting the importance of the role of human resources in identifying the relationship of organizational structure (the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals) and design (the manner in which a management achieves the

right combination of differentiation and integration of the organization's operations, in response to the level of uncertainty in its external environment) with global employee relations (communication between management and the workforce regarding a multiplicity of concerns).

Furthermore, in order to sustain competitive advantage, the challenge for Strategic Human Resource Management “ is the creation of linkage or integration between the overall strategic units of business and the human resource strategy and implementation” to achieve organizational goals and objectives (Çalışkan, 2010, p. 102). However, achieving those goals and objectives requires a corporate-wide strategy with “an articulated plan that enables an organization to make optimum use of its people, resources, and investments' ' (Juniper & Harrison, 2013). That requires Human Resource Management policies and practices that continually evolve to assure an alignment between employee relations and the corporate strategy and culture; a commitment of line management to implement employee relations policies; and flexibility in the employee relations policies themselves to meet shifting business demands.

Recommendations for Future Research

“Today's Human Resource Departments have a wide-range of corporate responsibilities; including administrative functions (payroll, benefits); staffing (recruiting and training); and compliance (employee relations, discipline)” (Zillman & Fry, 2018). The recommendation for future research is to develop an action plan for human resource management (1) to develop research methods to proactively identify where there is a disconnect between organizational strategies and objectives and global employee relations; (2) to develop and promote an ongoing process to adapt employee relations policies and practices as needed; and (3) to enforce existing and new policies.

Conclusion

The overall objective of this paper was to identify any relationship between global employee relations and organizational structure and design in the transnational model of multinational organizations. Within this context, the concern was, if practices do differ from the formal global employee relations policies; then why, when, and how do the practices change? Based on the case studies, there is a relationship between global employee relations and organizational structure and design. Primarily, that relationship falters when regional regulations and preferences are not identified or are overlooked; alternatives are not implemented; and the relevance of benefits for strategies and goals are misunderstood or underestimated.

For instance, organizational structure determines how the roles, power, and responsibilities are assigned, controlled, and coordinated; and how information flows between the different levels of management. An aspect of global employee relations is communication between management and employees regarding problem resolutions. Those problem resolutions rely on the power and authority of the roles of management to address the flow of information. However, when Sutherland Global, struggling to maintain its market niche, restructured to realign its accountant related business to provide an increased emphasis on the company's growing global connected services; the information on the impact of changing job and work descriptions on hours worked either did not flow between the different levels of management, or, if it did, it was not acted upon. In this case, the issue resulted in litigation for the United States locations involving the Department of Labor's Wage and Hour Division regarding pay discrepancy.

In addition, organizational design, the manner in which management achieves the right

combination of differentiation and integration of the organization's operations, in response to the level of uncertainty in its external environment, has a ripple effect that transcends the boundaries of organizations. For example, what worked for Oreo cookies in the United States did not work in China. In this case, flexibility in global employee relations practices provided the foundation to apply organizational design in a step-by-step methodology to make successful changes to their product. Within the structure of the multinational organization, the two-way communication and knowledge sharing supported by the transnational model contributed toward achieving those changes by capitalizing on the knowledge flows.

In another case, though Wal-mart recognized that Canadian shoppers are different than their counterparts in the United States or any other country; it failed to fully understand the implications of unions in Canada and in Brazil. The issue was further complicated in that the rules and regulations for the free association of workers; e.g. union activities, in Canada and in Brazil were undergoing revision. Hence, there was a store closing in Canada and ongoing challenges in meeting the goals for its stores in Brazil.

In conclusion, *the relationship of organizational structure* (the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals), *with a transnational model* (described as the practice of knowledge sharing that recognizes the benefits gained from local responsiveness and adaptation; thereby, requiring an understanding of the local region); and *organizational design* (the manner in which a management achieves the right combination of differentiation and integration of the organization's operations, in response to the level of uncertainty in its external environment); *in conjunction with global employee relations* policies and practices (communication between

management and the workforce regarding a multiplicity of concerns) *is dynamic*; one that is influenced by multiple, multilevel internal and external factors. Thus, the relationship is one that requires continual due diligence in developing and adapting policies and applying practices, with a worldview of business and workforce requirements, that transcends numerous boundaries.

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