



# Solving the Global HR PUZZLE

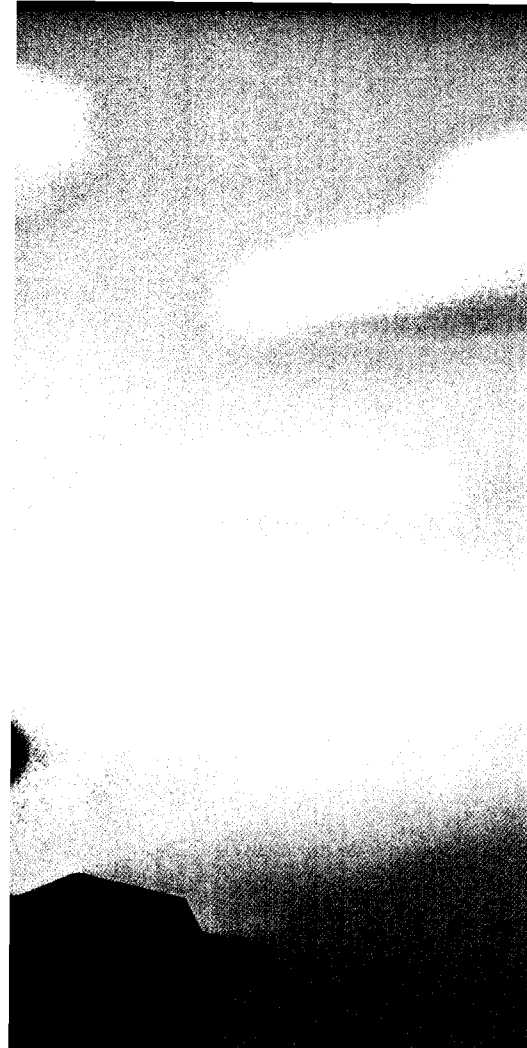
## QUICK LOOK

- ⇒ Only eight U.S. industrial businesses are likely to be among the 100 largest in the world by the year 2037.
- ⇒ Eighty-five percent of global companies are trying to establish a corporate culture in all locations that is consistent with the organization's goals and vision.
- ⇒ Differences in social, political, economic and cultural factors are the No. 1 global HR challenge cited by 61 percent of respondents.

By Richard Wellins and Sheila Rioux, Development Dimensions International

As organizations with global interests focus tremendous resources on developing employees with a broad base of knowledge and the multicultural acumen to work in the global marketplace, it's clear that the cliché "it's a small world" truly is a reality of 21st century business. Consider the evidence:

- There are at least 53,000 multinational companies with 450,000 affiliates worldwide, according to the article, "The World Stops Shrinking," by Charlene Marmer Solomon in the January 2000 issue of *Workforce* magazine.
- Solomon also wrote that the amount of foreign investment by U.S. firms –



*Some organizations are struggling to align their HR practices across many cultures as the global marketplace continues to shrink.*

*The Globalization of HR Practices*, a new study from Development Dimensions International (DDI), examines key challenges to effective HR implementation. It also gauges global HR priorities and what organizations are doing to achieve greater global consistency and a unified corporate culture.

The study, which involved more than 200 companies, including American Airlines, Glaxo Wellcome, PPG Industries and United Parcel Service, presents a vivid snapshot of a vital business function in transition, as organizations strive to become more adept at – and accustomed to – globalization.

#### *Struggling with Globalization*

“Globalization has arrived in the world, but not in most of the world’s organizations,” observed Stephen H. Rhinesmith in his 1993 book, *A Manager’s Guide to Globalization: Six Keys to Success in a Changing World*. In the new millennium, many organizations are discovering that Rhinesmith’s observation is still on the mark.

For example, satellite offices vary from the “corporate headquarters” standard in *every one* of the 21 HR practices of global firms included in the DDI study. The study also identified the greatest challenges to implementing global HR policies consistently. These included local factors, perceptions of the value of the HR function, and resistance to change.

Differences in social, political, economic and cultural factors – such as varying employment laws, government

regulations, compensation expectations, job security and learning styles – were identified as the No. 1 global HR challenge by 61 percent of respondents. These variations can effect training efforts significantly.

To illustrate, a trainer who peppers his presentation with humor might be a hit in an American meeting room. In Japan, however, this approach might lack credibility and fail to gain the respect of Japanese audiences. Also, learners in different cultures react differently to such standard U.S. classroom techniques as direct feedback and role-playing. Variations such as these can influence not only the structure of training, but also the time required to present a program or workshop.

Perceptions of HR policies also are an obstacle to globalization, with 42 percent of respondents identifying them as a major challenge. Some local offices of global companies perceive HR as a strategic partner, but other offices may regard it as the stereotypical “personnel department” that does little more than handle routine paperwork.

#### *Setting the Tone*

The tone often is set at headquarters. If an organization’s headquarters uses HR strategically, it is more likely that local units will do the same, regardless of location. The Gillette Company, which has 51 manufacturing facilities in 21 countries and employs more than 39,000 people worldwide, launched a competency-based global leadership

and foreign investment in the United States – continues to climb to unprecedented levels.

- Only eight U.S. industrial businesses are likely to be among the 100 largest in the world by the year 2037, according to Robert Rosen’s book, *Global Literacies*. This is a considerable drop from the mid-1950s, when 75 of the largest 100 worldwide industrial firms were American and, as recently as 1996, 24 companies made the list.

Although these numbers clearly indicate the shrinking global marketplace, to a global organization attempting to make its HR practices more standardized across all offices and/or locations, the world is as large, diverse and imposing as ever.

development initiative built upon a common "global language" that helps to reinforce an organizational culture. Meanwhile, Molex, a \$1.6-billion company with 49 facilities in 21 countries,



has standardized job titles across all locations, reinforcing the company's view that there's no such thing as domestic HR in a global organization. Global strategic initiatives such as these send the right message to all locations or offices about the organization's vision and promote the strategic role of the HR function.

Local resistance to change from the central office, identified by 39 percent of respondents, is a third obstacle. Consider the common domestic scenario where the office in Seattle, Sacramento or Sheboygan grouches that headquarters in New York doesn't understand the local situation. That problem escalates significantly when different laws and customs are involved, making it easy to see how orders from New York may not get complete attention or cooperation in far-flung locales such as Munich, New Delhi and Buenos Aires.

### Changing Priorities

The challenges encountered in implementing consistent HR practices across an international organization are reflected in the top global HR priorities identified by the DDI study.

Respondents were asked to identify the top three priorities that their HR departments would emphasize over the next two years. The responses were, predictably, different than the top priorities identified by domestic companies that did not have an international presence.

The top priority for international companies was leadership development (52 percent) – a priority that ranked only fourth among domestic companies – followed by recruiting high-quality employees (40 percent), performance management (37 percent) and employee retention (33 percent).

The concern for leadership development illustrates that a growing number of organizations are becoming increasingly alarmed about a looming void in leadership strength. The gap between current leadership skills and the skills that will be required in the future is becoming more apparent all the time.

### Follow the Leadership Studies

The 1999 DDI study, *The Leadership Forecast: A Benchmarking Study*, showed the alarming fact that leaders don't even consider themselves to be strong in eight of the top 10 skills – including vision, innovation and strategic decision-making – that will be important for future leadership.

Equally eye-opening is a 1998 study, *Developing Leaders for the Global Frontier*, by Hal Gregersen, Allen Morrison and Stewart Black, which showed that 67 percent of responding organizations lacked capable global leaders or had leaders that had less capability than needed. Addressing challenges such as these is difficult enough for domestic organizations, but global organizations face a more imposing challenge because they require leaders who can manage within a variety of geographical locations while at the same time trying to build a common organizational culture.

Fortunately, global organizations are

addressing their leadership deficiencies. The DDI study found that 80 percent of respondents have initiated a formal process for identifying and developing management talent. And in global organizations, leaders with multinational backgrounds are more likely to promote managers across geographic boundaries.

### Cases in Point

One organization leading the way in addressing the global leadership shortage is Whirlpool. The major appliance manufacturer has implemented Protégé, a comprehensive, culturally sensitive global leadership development process that incorporates intensive mentoring by senior executives. The process, which also includes 360-degree assessment surveys, day-in-the-life behavioral simulations, and multiple personality and business skills-focused inventories, is built around competencies that have been identified as crucial for global leadership success.

A second significant global priority is performance management, which enables an organization to set broad corporate strategies and cascade them down to local business units and those employed within those units.

Sonoco Products, a major industrial and consumer packaging supplier employing 16,500 people at 275 locations in 32 countries, implemented a performance management program for its executives located around the world. The aim of this program was for employees, regardless of their location, to understand the link between individual performance and organizational goals. Under the new process, managers were given training and equipped with the tools they needed to manage their own performance and personal development. A year after the program was implemented, two-thirds of surveyed participants indicated that they under-

stood the link between individual performance and organizational goals. This was a dramatic improvement from a few years earlier when many employees didn't understand the nature of their own jobs, let alone the company goals.

A third priority is the recruiting of high-quality employees driven by a very real shortage of talent. Record low unemployment rates have prevailed in the United States in the past few years, but the dire lack of talent also is present in other parts of the world.

Global companies, many of which don't believe that they have a sufficient quantity of global leaders (85 percent of respondents to one recent study didn't feel that they had enough global leadership talent), are looking for candidates with essential core or functional skills. But they also are seeking people willing to relocate to another country and who possess the special skills required to work across cultural boundaries.

The Web holds great promise as a tool for effectively recruiting these specially qualified individuals. Bestfoods, for example, has a Web site to attract and qualify candidates for a high-potential, entry-level talent pool. Many other global organizations are taking advantage of emerging technology to utilize online job boards for sourcing and screening candidates, scheduling interviews and tracking the size and quality of the available talent pool. Given the efficiency, cost-savings, and global reach of the Internet, this strategy will grow in both popularity and application within the next few years.

### Winning the Battle - Best Practices

The success of global business strategies is correlated largely with the success of an organization's HR practices. In light of this reality, the DDI study sought to identify what some companies are doing to implement successful practices that

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integrate global consistency with local adaptability. Some of these best practices included:

- Developing a long-term HR plan to ensure alignment of HR strategies/objectives with corporate objectives
- Creating centralized reporting relationships
- Standardizing assessment, development and compensation practices around the globe
- Sharing HR best practices used in certain locations with all other locations.

In addition, 85 percent of global companies are trying to establish a corporate culture in all locations consistent with the organization's goals and vision, the DDI survey revealed. However, 88 percent report that local culture and customs have a "moderate to great" influence on the way they conduct business in particular locations. This requires that organizations engage in a tricky balancing act.

Among the best practices for achieving this delicate balance and creating a consistent corporate culture:

- Communicating to all locations about the common corporate culture
- Allowing local cultures to maintain their identity within the context of the organization's culture
- Establishing common systems, such as accounting, marketing and MIS
- Educating managers about how the company does business
- Creating an organizational mission with input from all locations.

Of these, perhaps the one that is most important is communication. An organization needs to clearly state its expectations about business practices and organizational values to the various locations. Then, these expectations and values need to be reinforced through ongoing communication efforts.

For example, Qualcomm makes ongoing communication a major priority, issuing a daily newsletter and a monthly magazine for employees with similar jobs. This communication strategy works to instill a sense of the Qualcomm culture across all global locations.

Despite the best efforts of numerous noteworthy organizations, the globalization of HR remains a struggle to many - even organizations that have established a successful presence in the global marketplace. At least there is an awareness of the challenges, priorities that reflect an increased focus on global HR issues, and best practices in place that are proving to be workable solutions. As many organizations move in the right direction, the world truly is getting smaller. ■

#### ABOUT THE AUTHORS

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#### NOTES

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