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This article originally appeared
in the 2011, No. 2, issue of

Outlook

The journal of
high-performance business

Talent & Organization Performance

Different strokes How to manage a global workforce

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As companies stake their growth strategies on global expansion and the pursuit of new markets, their ability to forge a human capital strategy and HR capability that is both globally consistent and locally relevant will be critical to success.

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In late 2009, consumer goods giant Unilever—a \$61 billion company—announced a challenging goal: to double the size of its business.

Unilever’s strategy depends on expanding its presence in global markets, especially in emerging economies. Executives were aware that growth on that scale would require waves of new hiring across those markets. To deliver high levels of performance cost effectively, Unilever is looking to manage these employees in ways that are aligned with a global approach to employee services, while also complying with different statutory requirements and respecting local differences in how people are motivated, developed and paid.

On the other side of the world, Huawei Technologies Co.—a \$28 billion Chinese networking and telecommunications equipment supplier—is extending its global reach. As it increases its presence around the world, it is looking to create a talent infrastructure attuned to different markets while building a global culture of shared values and a human resources capability that can support the company’s business operations worldwide.

Tracking the routes to corporate globalization these days is like watching the contrails of jet planes: They come from anywhere and go everywhere. Yet whatever direction a global expansion takes, companies face common challenges, all related to how their people—who ultimately execute business strategy, innovate and serve customers—are sourced, developed and managed.

As executives now understand, cultural differences really do matter. Labor laws vary in what sometimes seem to be irreconcilable ways; attitudes and policies toward workers that are common and accepted in

one nation are not necessarily appropriate in another; and leadership styles that are successful at the home office—whether in São Paulo or New York or London or Beijing—may only undermine the operation of those parts of the organization that are an ocean away.

As companies in almost every industry stake a large portion of their growth plans on global expansion, the precision and consistency with which they approach talent management capabilities, HR policies and leadership development must increase. Attracting and retaining skilled workers, stabilizing the labor force in a new market, increasing productivity, structuring an organization so that credible and competent leadership is placed in the right locations, fashioning a culture that is consistent but also accommodates local differences—these are now the activities and competencies that are critical to success.

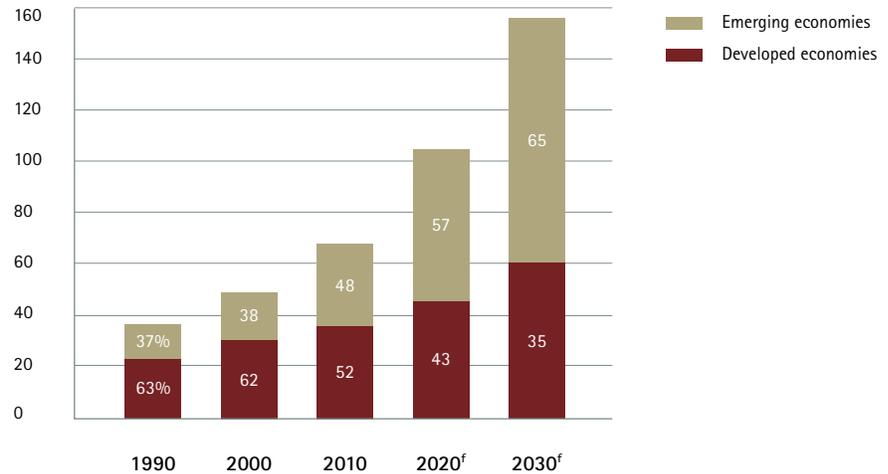
One of the most profound but also subtle issues companies face as they expand—from West to East and vice versa—is adopting a genuinely neutral global perspective, without presumptions about whose role is dominant.

Julian Dalzell—recently retired after 43 years in HR leadership roles with Royal Dutch Shell, and now on the faculty of the Darla Moore School of Business in South Carolina—sees cause for concern about whether Western companies are sufficiently prepared to meet these challenges. People have grown up with presumptions about their own country’s economic dominance, but other centers of power and influence are rising. “Future executives of our companies,” says Dalzell, “must now be groomed to operate and lead in that environment, whether it’s in terms of new business management skills or simply the emotional and psychological mindsets needed.”

Old boss, new boss

During the next decade, emerging economies will begin to account for more than half of global GDP—and are projected to account for 65 percent by 2030. Managers who have been groomed in developed economies with presumptions about their own country's economic dominance need to understand that other centers of power and influence are rising. They must be prepared for a future in which they will manage the work of people with different backgrounds and customs—and also be prepared to be managed by them.

Share of global GDP: emerging economies versus developed economies, 1990–2030
(US\$ trillion at 2005 prices and purchasing power parity)



Source: Accenture/Oxford Economics

Assumptions about economic influence and cultural preference are anything but benign. They can undermine a company's human capital strategy in a global environment and even the effectiveness of the entire globalization initiative.

Executing a global business strategy requires having the right talent in the right places; it requires specialized leadership skills—managing the work of people with different backgrounds and customs. Different kinds of organizational and governance structures are required to operate as a global company rather than just a company that happens to have a lot of different locations around the world.

Putting all those pieces together into a coherent, global human capital strategy—covering talent, leadership,

culture and organizational structures—can be a daunting task. Many Western companies that are focused on growth in emerging markets struggle, for example, with putting the right local management in the right places. For reasons of comfort and confidence, companies may wish to staff overseas operations with executives from the head office.

However, if a company expects its growth to be in emerging economies, having leadership from the West swoop in with a set of attitudes and presumptions that may not be appropriate for a growth market can create a real business risk. Ironically, perhaps, exactly the same dynamic can come into play, though in reverse, when the home office is in China or India or Brazil and the acquisitions to be managed are in the United States or Europe.

Assumptions about economic influence and cultural preference are anything but benign.

Talent acquisition and management are much more complex in an international environment. Consider a UK-based company operating in Mozambique. Personnel to be managed will include nationals from the parent country, host-country nationals and third-country nationals who might come from anywhere. Trying to truly standardize grade scales and terms of employment in that environment is difficult; for example, expatriates may need to be paid partly in the local currency and partly in their home currency. Unless job grading and pay formulas are clear, fair and well understood, difficulties may arise among staff doing similar work in different countries.

Performance management can be an issue as well. For example, in many developing nations, labor—even skilled knowledge workers—is plentiful and available at low cost, which then generates a number of assumptions about employee sourcing and development.

Motivational philosophies in some Asian cultures may include demotions for perceived subpar performance. Such a policy may not export very well to developed economies, where demotions are more often perceived as a step toward dismissal, not a motivational tactic.

Some of the barriers a manager encounters when hiring someone in this global environment sound mundane. However, when they're added up, those barriers can be serious obstacles.

One multinational, for example, has recently created an organizational structure in which its major brands will be managed by regional teams around the world. This allows brand managers to be closer to local markets, develop deeper relationships with customers and create more agile brand management. It's an

operational change critical to the company's longer-term globalization objectives. But it's also a challenge because the company's basic HR processes and policies are still organized by geography. If a brand manager for Europe, who's based in Germany, wants to hire someone in France, the paperwork to be completed will be in French and will ask for information based on French laws and customs that will most likely be unfamiliar to the manager in Germany.

When this same challenge repeats itself across all the various parts of the employee lifecycle, from hiring to development to retention, the management challenges increase dramatically and the company ultimately can stumble in executing the entire global strategy.

Super global, super local

From a governance perspective, globalization strategies usually follow a predictable course. As companies expand beyond their original markets, they first move from a structure with a dominant global headquarters to one that replicates essential functions—marketing, sales, distribution, manufacturing and so on—within each country of operations.

Yet such a regional or national focus often results in fragmentation and operational redundancy. By giving each region the ability to pay, reward and develop people differently, HR processes and functions themselves can end up compromising the global strategy rather than enabling it. In a local market, for example, regional or national policies can undermine a company's reputation as a good place to work.

So in the current globalization phase, most multinational executives are turning to a management structure that combines the benefits of globally consistent policies on the one hand

and local relevance on the other. In other words, they have an HR approach that is both super global and super local.

When value is driven by consistency and standardized operations (HR transactions, for example, or training that provides a functional workforce with common skills), a company needs global policies, services and technology platforms. But when value is driven by the needs and variations of specific markets—sourcing talent, motivating,

rewarding—a company needs to be intensely local in its focus.

Ultimately, the goal is to create an HR capability that moves as fast as, or faster than, the business so that the structures needed to get the right people in the right places to seize local market opportunities anywhere in the world don't constrain the business.

What follows next are key areas to consider in maintaining this global/local balance.

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More agile HR operating models

New HR models that leverage shared services platforms can help a company maintain the difficult balance between being globally efficient when that's the competitive advantage and being locally responsive when that's the priority.

Take the case of London-based Diageo, the global premium beverages company with offices in 80 countries and a presence in approximately 180 markets. The company continuously evaluates market growth opportunities while also protecting its core business. It has been especially innovative in redesigning the HR operating model it needs to execute this strategy effectively by creating a more agile workforce and a more responsive business.

One essential part of this work involved becoming super global: defining consistent and standardized processes and consolidating transaction processing to create HR services flexible enough to adapt as the company grew. Diageo also sought to create the appropriate types of HR operating models for different markets; some are well developed and big enough that shared services across multiple HR functions would meet a range of economic and customer service requirements.

Diageo did this by using a customized shared services model that not only provides more consistent service to employees around the world but also can be quickly adapted to meet unique local market requirements. Indeed, in only seven months, the company had two centers up and running—one in Europe and one in North America—that serve as the virtual hubs for Diageo's hub-and-spoke model.

From these centers, HR services can now be provided faster and more consistently to the company's employees, wherever they are. A knowledge repository, for example, helps standardize functions and materials, and helps process transactions consistently and in compliance with local laws.

The centers also help Diageo navigate complex data protection and privacy laws across borders. One of the services made available to Diageo as part of these new HR capabilities is an electronic employee filing system. This provides greater data security that meets requirements in both the European Union and North America, and it provides easier access to employee information for the service centers to support HR personnel across dispersed locations.

For a company to execute globally, its governance structures must allow more decisions to be made locally in areas into which it is expanding.

The initial focus of the shared services centers was on the company's markets in the United Kingdom and North America. However, additional countries have now been brought into the new HR support model,

including 15 in Latin America and the Caribbean. Diageo is also now working to evolve the structure and coverage of its shared services centers to meet growing business and economic demands.

Balanced leadership

For a company to execute globally, its governance structures must allow more decisions to be made locally in areas into which it is expanding. The company must create processes and ways of working that encourage innovation at the local level; this is especially critical in industries for which understanding consumer tastes and preferences within a distinct market is important.

Equally important, leaders must be drawn not only from where the company has historically done business but also from areas where there is significant market potential. Processes and governance structures should be redesigned to put more decision making into the hands of managers in those new markets.

Diversity of board makeup is also important. The board of directors at MasterCard, for example, includes executives from the United Kingdom, India, the United States, Mexico, Belgium and Hong Kong. Philip Morris International Management's board includes members not only from the United States and Europe but also from Mexico and China. These leadership structures reflect a company's global character and market intentions rather than its more parochial origins.

Leadership development is also critical; the next generation of executives needs to be exposed to other cultures and receive training in global management. As the Moore School's Julian Dalzell puts it: "When you are living and working in a different culture,

you have to test all your assumptions about how the world works. You gain critical experiences by being exposed to people, policies, laws, norms and human motivation from different places around the world."

In some cases, this kind of global experience and exposure translates into long-term overseas assignments for personnel. But other creative approaches can be effective as well. At Shell, Dalzell used relatively short-term assignments for employees as a way to meet the needs of different geographies while also developing critically important skills and mindsets in the workforce. At one point, he had 11 people from his HR team, each with less than five years' experience, working overseas on short-term assignments in Singapore, Canada, Holland, Brazil, Turkey, Qatar and Kazakhstan, among other locations.

The approach was successful for several reasons. More people were willing to sign up for shorter postings, countries were more willing to grant work visas for that kind of arrangement, and there was less concern about someone coming into a unit and competing with local talent.

"Plus," says Dalzell, "the unintended consequence was that they came home keen to share the incredible experiences they had and what they had learned. So it sparked an enthusiasm and an energy that we could not have created ourselves."

Huawei Technologies: Delivering HR consistency during global expansion

Huawei Technologies Co., the largest networking and telecommunications equipment supplier in China, has a strategy in place to expand its business in global markets. Its software and hardware products and solutions are already in use in more than 100 countries and by one-third of the world's population. To get closer to its customers, the company has established more than 100 branch offices around the world, as well as R&D centers in the United States, Sweden, Russia and India.

One particular area of focus has been Huawei's international Managed Services Solutions business, which provides a variety of outsourced and out-tasked network operational services to clients, and leverages long-term partnerships with IT and telecom operators around the world. The Managed Services business has seen strong growth in recent years, leveraging a large number of outsourcing deals, both in developed nations and in emerging markets in Africa, Asia and South America.

One of the issues Huawei faces with large managed services and outsourcing deals is the transfer of personnel from the client to Huawei's operational staff. Effective personnel management, especially as employees transition to the company, is a key to success. For example, correctly evaluating personnel costs is crucial to delivering on the business case and has a direct impact on service delivery, since an important goal is to ensure a smooth transition for employees and support for their performance in a new environment.

Because this work is often repeated across multiple parts of the world, Huawei developed a standardized HR Transition Toolbox to support its HR teams in executing a managed services engagement. The toolbox, while based on a proven transition methodology, is also customized to specific deal contexts and needs. It is supported by training workshops and opportunities for knowledge sharing so that HR employees can perform transitions more effectively.

One of the challenges companies face as they operate in multiple, new global locations is dealing with different and complex legal requirements and different cultural contexts regarding the workforce. With this standardized approach to HR transition, Huawei has been better able to identify gaps from a legal compliance and commercial perspective. The company has also improved employee engagement because the toolbox provides structured and well-managed communications that take into account different cultural dimensions and the diverse national contexts of its people, improving the professionalism of HR.

At the deal level, a more effective and consistent approach to HR issues has made a positive impression of the Huawei brand and the deal team. Standardized templates that are a part of the toolbox provide increased clarity about the critical HR requirements for the proposed solution. Additional risk management templates help teams manage issues more visibly and reduce surprises along the way.

The consistent methodology for HR transition issues, which embeds experience and best practices within the processes, means HR personnel at different locations around the world can rely on these proven approaches to help Huawei improve efficiency, reduce risks and have better outcomes.

For further reading

"The talent to grow," *Outlook* 2011, No. 1

"*Vive la différence!*" *Outlook*, June 2010

For these and other articles, please visit accenture.com/Outlook.

Common technologies and systems

Technologies and information systems also play a key role in the super global aspect of the dual imperative. Across the board, executives we've spoken with—whether from emerging or developed markets—are pursuing common, global systems for HR information and processing as a means to achieve the kind of consistency that overcomes regional limitations. Such work, which often also involves establishing shared services centers for the HR function, must also be accompanied by the redesign of HR processes to achieve both consistency and local relevance.

Shell, for example, implemented a single IT system for HR—called Shell People—that executives credited as a key reason the company was able

to move forward successfully with a global business strategy less constrained by governance and policies focused at local or national levels.

The redesign of systems and processes at Shell to enable a global, consistent platform also changed the way management thinks about which talent-related competencies were core and strategic, and which were not. For such non-core tasks as payroll processing and benefits management, the goals of efficiency and productivity are better handled through a shared services or outsourcing approach. By streamlining its processes and consolidating systems, HR can then assume a more strategic role, less encumbered by day-to-day transactional requirements.

Grasping the future

When it comes to delivering on global growth plans, a company's reach too often exceeds its grasp. Everyone knows that expansion into other markets isn't simply a matter of sending a sales force on an overseas mission. But what, exactly, is required?

First and foremost, companies need a human capital and HR strategy that is fully aligned with the business growth strategy. Senior leadership must be fully onboard with the idea that the HR component of the business strategy isn't simply a follow-up measure to consider after the advance team has established a staging ground in a new market. It's something that must be part and parcel of the globalization vision from the beginning.

Companies also must find the right balance between the common, global structures they need to be more efficient, and the local innovations and services they need to be credible to the customers they are seeking to win.

HR systems and smart technologies will play a significant role in creating the streamlined global operations needed to be successful. But establishing local credibility will largely be a matter of hiring capable people. Being smart in all those areas is essential to grasping success as a truly global business.

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