

executivesummary

The Globalization of Human Resource Practices

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The key to creating a consistent corporate culture across multiple locations is maintaining the critical balance between a strong corporate culture and local cultural differences.

Purpose

The report examines the changing roles the human resource (HR) function plays in a globally competitive marketplace and identifies the challenges of adapting to these roles.

The objectives of this study were to:

- Investigate how domestic and international companies conduct HR practices around the world.
- Determine the top HR priorities for each organization type.
- Determine the challenges that organizations face when trying to globalize their HR function and practices.
- Determine what organizations are doing to institute a consistent corporate culture across all locations/offices.

Responses were gathered from 206 members of DDI's HR Benchmark Group. Two-thirds of the respondent organizations had operations in multiple countries (international); the remaining third operated solely in one country (domestic).

General Profile

Findings Overview

The globalization of HR is characterized by increasing levels of decentralization.

- Half of all international organizations reported having one primary HR department with independent regional HR staff.
- Many international (37 percent) and domestic (42 percent) companies reported using a more centralized approach—one primary HR department with dependent regional HR staff.
- More than a third of domestic organizations reported having only a primary HR department with no regional HR staff.

HR Priorities

International and domestic organizations identified similar HR priorities for the next two years.

- The top priority, identified by 52 percent of international companies, was leadership development. Domestic organizations also ranked leadership development as a top priority (35 percent).
- Recruiting high-quality employees ranked second as a priority for both international (40 percent) and domestic companies (46 percent).
- Employee retention was also a top concern for both international (33 percent) and domestic companies (46 percent). In fact, retention was the top priority for domestic organizations.

Consistency of HR Practices

Findings Overview

A majority of international (79 percent) and domestic (87 percent) organizations reported that their parent organizations are taking action to make HR practices more consistent across all locations/offices.

- International organizations use consistent HR practices to help develop a common corporate culture (75 percent) and to improve the effectiveness of the HR function (73 percent).
- Domestic organizations are creating consistent HR practices to improve both the effectiveness (81 percent) and the efficiency (71 percent) of the HR function.
- Selection practices vary greatly across locations in international organizations. Selection practices that vary the most include:
 - Assessments (role plays and simulations).
 - Testing for selection purposes.
 - Internet advertising (recruiting).

Challenges to Consistency

Findings Overview

International companies face many challenges when trying to make HR practices consistent across all locations/offices. The top three challenges include:

- Variations in social, political, and economic circumstances.
- Different locations/offices have their own way of doing things and are resistant to change.
- The perceived value of the HR function varies across locations/offices.

Best Practices

Organizations were asked to respond to the following: *What is the most effective action your parent organization has taken to make HR practices more consistent across all locations/offices?*

The following is a sample of responses:

- Developed a long-term HR plan to ensure alignment of HR strategies/objectives with corporate objectives.
- Created centralized reporting relationships around the globe.
- Standardized assessment, development, and compensation practices.
- Introduced practices to regions around the globe and allowed the HR function in each region the autonomy to do [its] job.
- Created global policies/processes for data management, performance management, compensation, education, and development.
- Tied regional accountability to performance management.
- Shared HR best practices used in certain locations with all other locations.
- Developed an HR mission statement.

Creating a Corporate Culture

Findings Overview

Many international companies (84 percent) indicated that their parent organization was trying to establish a corporate culture at all locations/offices that was consistent with its goals and vision. Most organizations (88 percent) reported that creating a corporate culture is difficult because, in certain locations, local cultures and customs have a moderate to great influence on the way business is conducted. Organizations have taken the following actions when trying to create a consistent corporate culture:

- Communicated to all locations about a common corporate culture.
- Allowed local cultures to maintain their identity in the context of the corporate culture.
- Established common systems (e.g., accounting, marketing, MIS).
- Provided management with education outlining how the company does business.
- Created an organizational mission with input from all locations.
- Created a written strategy outlining the corporate culture.

General Challenges for Global HR Function

Findings Overview

Functions such as operations, sales, and marketing have generally made great progress in adapting to the global reality. However, the HR function has typically lagged behind in developing policies and structures that support globalization. The top challenges HR faces in the globalization process include:

- Coordination of activities in many different locations.

- Understanding the continual change of the globally competitive environment.
- Building a global awareness in all HR departments/divisions.
- Creating a multicultural HR team.

International Assignments

Findings Overview

Finding, developing, and retaining global leaders tops the priority list of international companies. International, or expatriate, assignments are often used as a way to develop the talent of global leaders.

- Many international companies (83 percent) use expatriate assignments, which last an average of 2.65 years.
- International assignments are quite expensive. Most international companies (88 percent) report spending more than two times an expatriate's salary during the span of the assignment.
- The most important characteristic to look for when recruiting an expatriate is a willingness to travel. The ability to speak other languages was third, behind having international business experience.
- Most organizations provide pre-departure training for expatriates, but relatively few provide a process for managing the expatriate's re-entry to his or her home country.
- Only 68 percent of respondent organizations agreed that international assignments help an expatriate's career.

The Global Picture

When it comes to business, the world is indeed becoming a smaller place. More and more companies are operating across geographic and cultural boundaries. While most have adapted to the global reality in their operations, many are lagging behind in developing the human resource policies, structures, and services that support globalization. The human resource function faces many challenges during the globalization process, including creating a global mind-set within the HR group, creating practices that will be consistently applied in different locations/offices while also maintaining the various local cultures and practices, and communicating a consistent corporate culture across the entire organization.

To meet these challenges, organizations need to consider the HR function not as just an administrative service but as a strategic business partner.

Companies should involve the human resources department in developing and implementing both business and people strategies. This type of partnership is necessary if an organization wants to change potentially inaccurate perceptions of HR and reiterate the HR function's purpose and importance throughout its global environment. Organizations will also discover that HR can be invaluable in facilitating the development of a unifying corporate culture and finding and cultivating much needed leadership talent around the world.

The process of globalizing resources, both human and otherwise, is challenging for any company. Organizations should realize that their global HR function can help them utilize their existing human talent from across multiple geographic and cultural boundaries. International organizations need to assist and incorporate their HR function to meet the challenges they face if they want to create a truly global workforce.

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