

Globalizing HRIS: The New Transnational Model

By Karen Beaman and Alfred J. Walker



"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."

— CHARLES DARWIN

INTRODUCTION

The term "global HRIS" (human resource information system) has been used to denote many different types of organizations, systems and environments. Indeed, the word "global" has be-

come one of the hottest buzzwords of recent years. With the accelerating pace of change brought about by the Internet and by high-speed communications and transportation, distances are shrinking and borders are breaking down. Every organization is now running into so-called global issues. A direct outcome of the Digital Age, there are two major trends that are having a profound effect on the way we do business:

The connected economy has catapulted us into a period of unprecedented change and we are being forced to develop new, creative approaches if we want to stay competitive ... only organizations who stay away from traditional thinking will survive.

◆ Increasing globalization and accelerating change in the international business environment is drawing more and more companies beyond their national borders. Studies show that 50 percent of all major corporations now have at least some international operations.

◆ The complexity of inter-organizational relationships between companies and their stakeholders (e.g., employees, outside service providers, regulatory authorities) is growing, as corporate boundaries become permeable and, in some cases, even disappear. Increasing

competition due to the ease of doing business across borders is putting pressure on companies to be more competitive. Hence, organizations are looking for strategies to contain costs in order to increase productivity and effectiveness. In addition, the continuous quest for best practices has companies looking beyond their borders for solutions to increasingly complex problems.

Yet local and regional differences, even with the accelerating rate of globalization,

remain strong. Cultural and national identities still play a prominent role in the international business world. While the new international business environment is clearly pushing us closer together, it is opposed by a strong counterforce attracting us to our own local customs and traditions.¹ Balancing needs on the international front with local and/or national agendas is far from a simple task.

This new *Sturm und Drang*² is bringing about momentous change. Trends are barely recognized before they become *passé* in the "blur" of new approaches to age-old problems.³ The connected economy has catapulted us into a period of unprecedented change and we are being forced to develop new, creative approaches if we want to stay competitive. Indeed, only organizations who are able to escape from traditional thinking will survive.

Likewise in HR and HRIS, our traditional models are no longer adequate. The world has changed and so must our

thinking about how we organize and manage ourselves, our companies, and our systems. In this article we define a new model for global HRIS that encompasses a new organizational structure, alternative system architectures, and distributed methods of HR service delivery. Drawing on the work of Christopher Bartlett and Sumantra Ghoshal, as well as on our own previous work in this area, we attempt to elucidate and evaluate the myriad models and architectures that have appeared over the past decade and to craft a new model for Global HRIS.

We also wanted to test our model by using a small sample of large global corporations to determine the real-world fit between what organizations are actually doing and what we, as consultants and theorists, are saying. Thus, we present the results of a small survey we conducted with 35 global companies and discuss the implications of our new model on corporations today and in the future.

FOUR TYPES OF HRIS ORGANIZATIONAL MODELS

In *Managing Across Borders: The Transnational Solution*, Christopher Bartlett and Sumantra Ghoshal⁴ categorize worldwide organizational models into the following four types:

- ◆ Multinational
- ◆ Global
- ◆ International
- ◆ Transnational

Each of these models differs according to its degree of centralization, its level of responsiveness to local issues, and its ability to leverage and share innovation and learning worldwide. We will discuss the applicability of each of these models to HRIS.⁵

◆ **Multinational HRIS.** The first of these models — the "Multinational HRIS" — comprises a portfolio of separate, distinct organizations that are de-

lineated by national boundaries (see Figure 1). Within each independent organization, many key assets, responsibilities, and decision-making are localized (decentralized with respect to the core), giving local business units considerable freedom, autonomy, and control over their own operations. This type of HRIS is particularly adept at addressing and responding to local needs and is thus most sensitive to individual cultural and national differences.

The Multinational HRIS is less focused on centralized corporate direction. Central management's role is informal and consists of little more than consolidated financial reporting. The disadvantage of such extreme decentralization is that such organizations can turn into multi-headed monsters, where "anything goes," and whose various heads don't communicate or coordinate with one another, causing needless re-invention.

On the other hand, this type of organizational model can be quite suitable for large conglomerates in which there is little benefit to be gained from centralized processing or decision-making (such as, certain types of retailers or service organizations). Likewise, organizations with strong autonomous cultures can benefit from the Multinational HRIS because responsiveness and sensitivity to local business unit needs play a paramount role.

◆ **Global HRIS.** At the opposite extreme is the highly centralized organization, what Bartlett and Ghoshal call the "Global Organization" (see Figure 2). The Global Organization views overseas operations merely as delivery pipelines from the parent company to an undifferentiated worldwide market. Most strategic assets, resources, responsibilities, and decision-making are centralized. The driving force behind the Global HRIS is a focus on maximizing efficiency and on building a single standardized organization within a uniform operating environment.

Naturally, this approach minimizes the needs of local, national, and regional business units. One single, sanitary solution is developed — "one size fits all" — or is supposed to. The disadvantage to this model is the tendency to force diverse operating units into such rigid structures that they rebel, causing renegade or covert behaviors to develop outside the established standards.

The Global HRIS organizational model is appropriate for organizations with a need to deliver a single standardized product (e.g., software providers) or service (e.g., telecommunications providers) to a worldwide market. The focus on efficiency and standards provides for greater volume, promotes ease of integration,

and reduces overall costs. In addition, organizations with strong homogeneous cultures benefit from such a model.

◆ **International HRIS.** Between these two extremes lies the third model — the "International Organization" (see Figure 3). While allowing for local control over many decisions, responsibilities, and as-

Figure 1. "Multinational" HRIS.

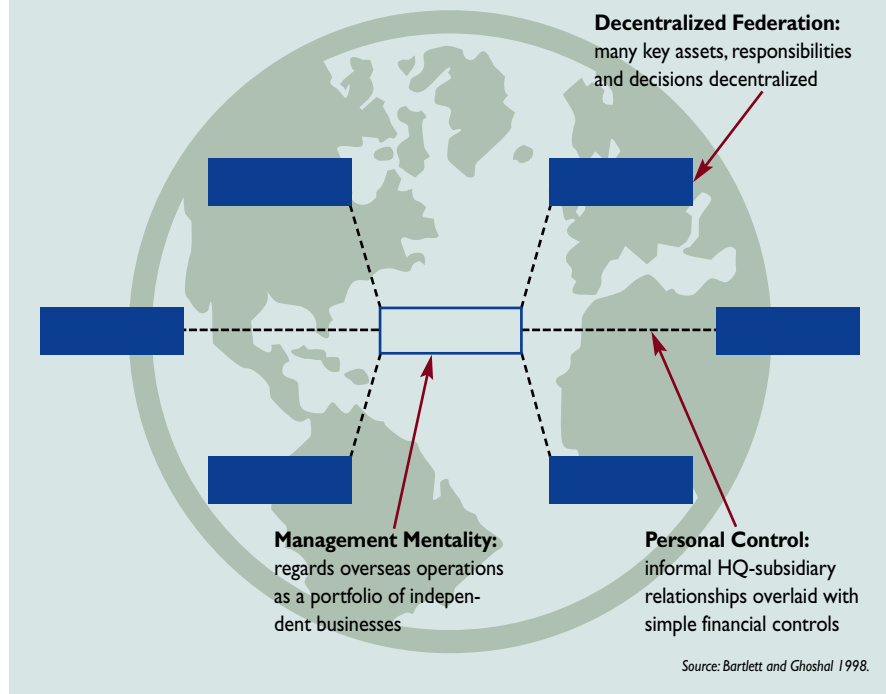
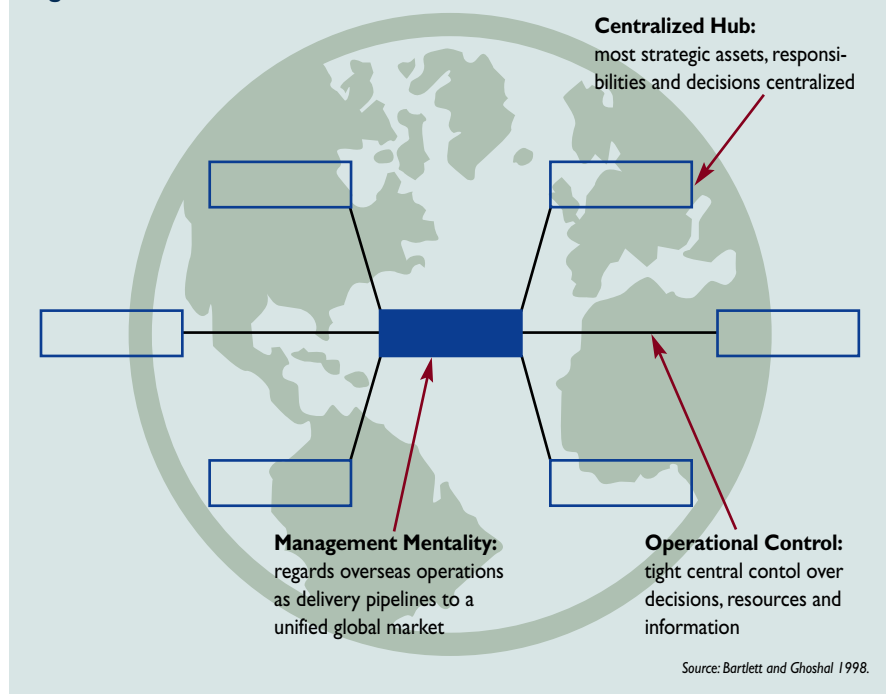


Figure 2. "Global" HRIS.



sets, this type of organization views overseas units as appendages that exist only to carry out the goals of the central organization. The International HRIS strikes a balance between local autonomy and central oversight.

The great advantage of the International model is its focus on sharing cross-

border learning and innovation. This model facilitates the transfer and adaptation of knowledge to other business units from any country that develops it. The whole organization benefits when advances made in one country are shared immediately across all the others. Thus, this model retains many of the advan-

tages of centralized control and process, while at the same time shares best practices across local business units.

This type of HRIS is useful for developing organizations that still have unbalanced skills sets and operations around the world. Resources, knowledge, innovation, etc. can be shifted and shared among operating units such that the whole is greater than the sum of its parts.

◆ **Transnational HRIS.** However, none of these models addresses simultaneously all three sides of the paradox facing us: the need to be sensitive to the requirements of local business units, the desire to obtain efficiencies that result from centralized operations, and the keenness to share and leverage learning and innovation across the worldwide organization. A completely new model — the Transnational HRIS — is centered on resolving this paradox (see Figure 4).

With the Transnational HRIS, regional business units are treated as distributed resources. Each one contributes to the rest of the organization based on its particular area of strength. Corporate HR consists of a complex set of processes for the coordination and facilitation of sharing among the different operational units. Although corporate headquarters still lies at the center of this model, local units are genuinely interdependent. No one unit has more control than any other. This model is particularly useful for large, multinational conglomerates with heterogeneous cultures, under significant competitive pressures due to the increasing globalization and fast-paced change brought about by the Internet.

For example, if one regional unit has developed a particularly effective solution to the challenge of recruiting, it can easily and quickly share its solution with other units around the world. HR is the advocate, and HRIS is the tool for facilitating a high degree of inter-unit information flow and coordination. Clearly, the advantage to the Transnational HRIS model is its ability to respond effectively and swiftly to the demands brought about by the *Sturm und Drang* of the Digital Age.

◆ **The Developmental Curve.** Our experience suggests that these four models represent a development curve as shown in Figure 5.⁶ The 1980s were dominated by HRIS in the first stage — the Multina-

Figure 3. "International" HRIS.

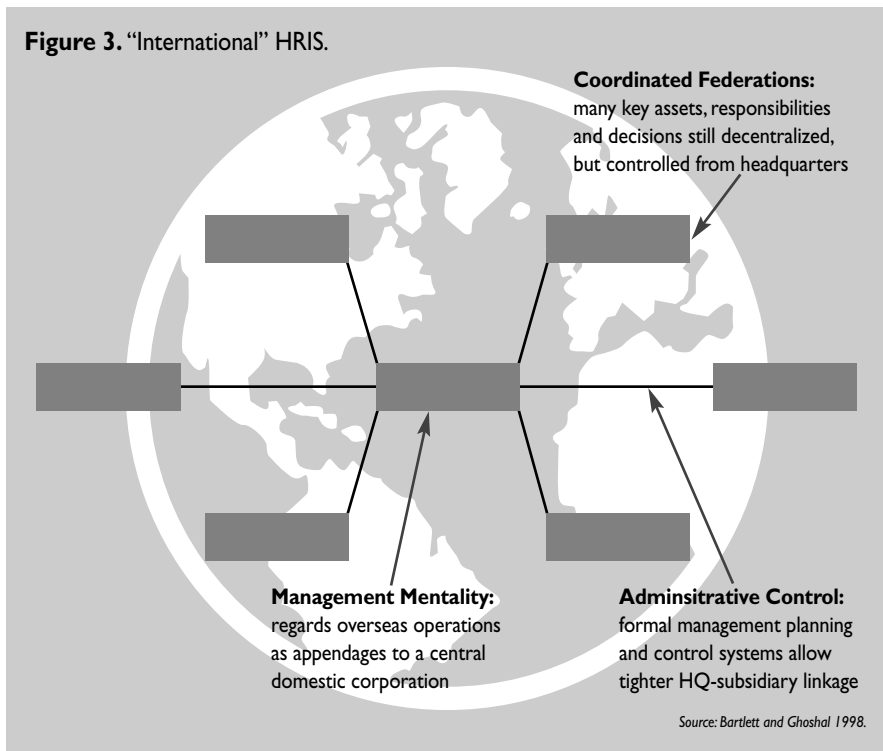
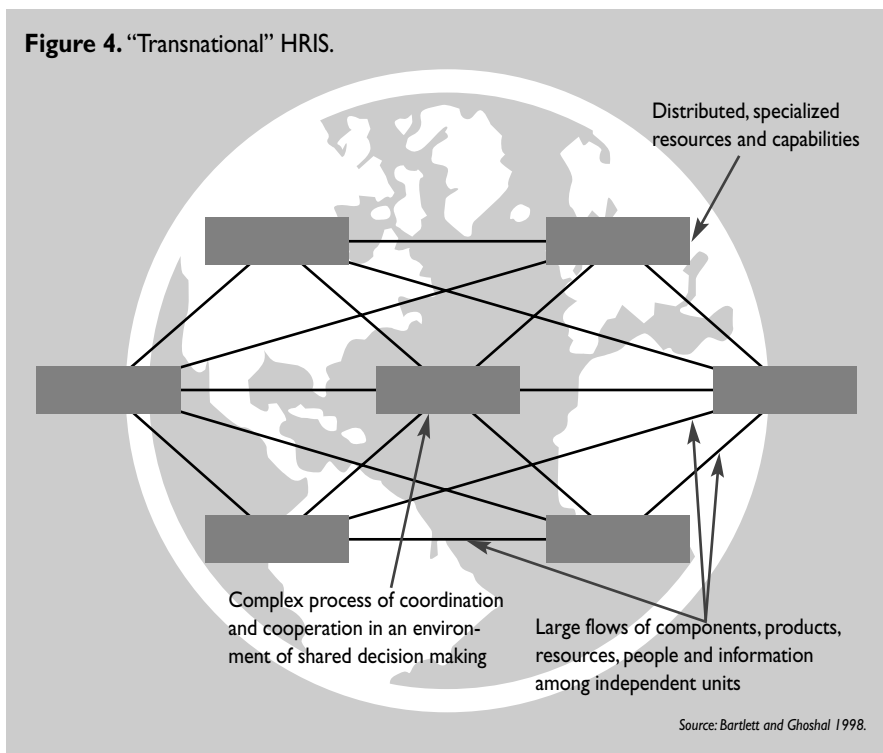


Figure 4. "Transnational" HRIS.



tional stage. Many organizations just starting their overseas operations knew little about local business practices and constraints and thus let regional companies pretty much run themselves.

In the 1990s, however, large organizations came up against issues of cost control and containment. Such concerns swung the pendulum in the direction of totally centralized control, and the Global model began to dominate the HRIS landscape. With this approach, centralized organizations began to force corporate standards onto their regional and local operating units.

However, this forcing of corporate standards and practices onto local operations was not always perceived positively. Thus, the next trend in the evolution of HRIS models was toward balancing local and corporate needs through the International model. However, the limitations with the International model were quickly uncovered as being neither “fish nor fowl” — not particularly responsive to local needs and not particularly focused on operational efficiency.

This has led us to the final stage — the Transnational Model — which attempts to resolve the paradox by finding the right balance between local responsiveness and centralized control, while at the same time promoting learning, sharing and innovation across the organization.

Each of these models differs systematically in such attributes as capabilities, operations, management, knowledge and control (see Figure 6). Consider knowledge as an example. In the Multinational model, knowledge is developed and retained in the local units, whereas in the Global model, it is developed and retained in central headquarters. In the International model, knowledge is developed at central headquarters and then distributed to the international subsidiaries. In the Transnational model, knowledge is developed in any unit that has the skills and resources and is then shared with all other units throughout the organization.

THREE TYPES OF SYSTEM ARCHITECTURES AND THE FOUR HRIS MODELS

One defining difference with the four HRIS models is the technological architecture of the systems they use. Al-

though there is considerable variation we can identify, broadly speaking, three

- ◆ Data Warehouse Model
- ◆ Single Integrated System Model

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basic systems architectures commonly found in HRIS⁷:

- ◆ Standalone System Model

◆ **Standalone System Model.** The most basic of models is the Standalone System Model, in which each operating unit runs its own independent system,

Figure 5. HRIS Model Development Curve.



Figure 6. Moving to the Transnational HRIS.

	MULTINATIONAL	GLOBAL	INTERNATIONAL	TRANSNATIONAL
CAPABILITIES:	Decentralized and self-sufficient	Centralized and globally scaled	Only sources of core competencies centralized	Dispersed, interdependent and specialized
OPERATIONS:	Seeking and exploiting local opportunities	Implementing parent company strategies	Leveraging parent company competencies	Differing contributions by national units
MANAGEMENT:	Subsidiaries comprise a portfolio of independent businesses	Subsidiaries are delivery pipelines to global market	Subsidiaries appendages to domestic corporation	Coordination; cooperation and shared decision-making
KNOWLEDGE:	Knowledge developed and retained within each unit	Knowledge developed and retained at the center	Knowledge developed at center and transferred overseas	Knowledge developed jointly; shared worldwide
CONTROL:	Personal and informal; simple financial controls	Operational and strict; tight control over everything	Administrative and formal; tight linkage with headquarters	Large flows among individual business units

Source: Bartlett and Ghoshal 1998.

Figure 7. Standalone System Model.



with no worldwide standards in place and no integration (see Figure 7). In fact, there may be no systems at all in some areas. Consolidated reporting, perhaps done through a global data warehouse, is often quite basic, even primitive, being built off of extracts of reported data. Business units may send in updates via fax, telephone, mail, or in person. These communications may necessitate extensive translation and heavy data entry.

The Standalone System Model makes it difficult to do data analysis. Even the most basic headcount reporting becomes laborious. This type of architecture clearly identifies a company as a Multinational HRIS model — the “many-headed monster” approach. This model is quite common in large, diversified multinational organizations, particularly those that have grown through acquisition.

◆ **Data Warehouse Model.** Another common but more advanced architectural model is the Data Warehouse Model. In this model, all operating units use the same software system (e.g., Oracle, PeopleSoft, or SAP) (see Figure 8), albeit with separate database instances set up for each region or country. In the best of these models, all units run the same version of the software, maximiz-

ing resources and saving costs through commonality, shared applications, and enterprise advantages in dealing with the vendor.

This type of system is completely centered on the data mart; however, as opposed to the Standalone System model, the data come from all operating units automatically and in a standardized format. Such standardized data require little or no translation and are available to all operating units as soon as updated (within the rules of data privacy and protection, of course). All users know how the data were generated and what each data element means. The limitation to this type of architecture, however, is that not everyone uses the same database. We typically see this type of architecture in an International HRIS model.

◆ **Single Integrated System Model.** This third type of system architecture — Single Integrated System Model — is the most advanced (see Figure 9). There is only one instance of the database, generally located at corporate headquarters (a worldwide Brazilian-based company in Figure 9).. Updating a name anywhere in the system automatically updates it throughout the organization. There is no need for a separate reporting

database, although some organizations do opt for one in order to separate transaction processing from analytical reporting. The single-system HRIS also uses the same screens worldwide, with appropriate changes for different languages in different countries.

Single integrated systems are quite common in some fields — airlines typically use them for flight operations — but they are still rare in the HR world. Global and Transnational HRIS models will most commonly have a single integrated HRIS.

In summary, the most advanced HRIS architectural model strikes a balance between the two extremes of being locally diverse and centrally controlled. As that balancing act suggests, the most enlightened approach to worldwide HRIS management is not necessarily to globalize all HRIS functions. Some functions are better handled locally, some internationally, and some in between. Part of the evolution of the worldwide HRIS involves finding the right balance.

THE HR SERVICE DELIVERY MODEL

As has been said, all international organizations exist on four broad levels: local (Frankfurt), national (Germany), regional (Europe), and global (headquar-

Figure 8. Data Warehouse Model.

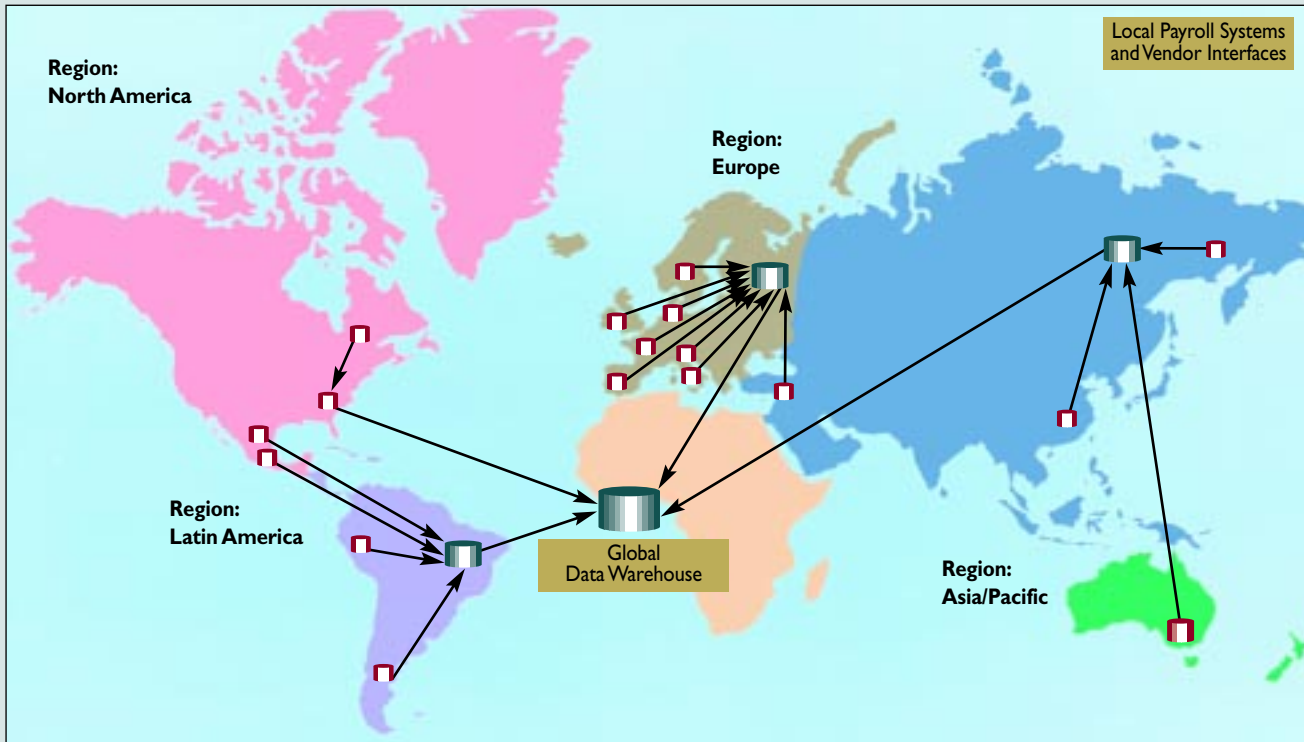
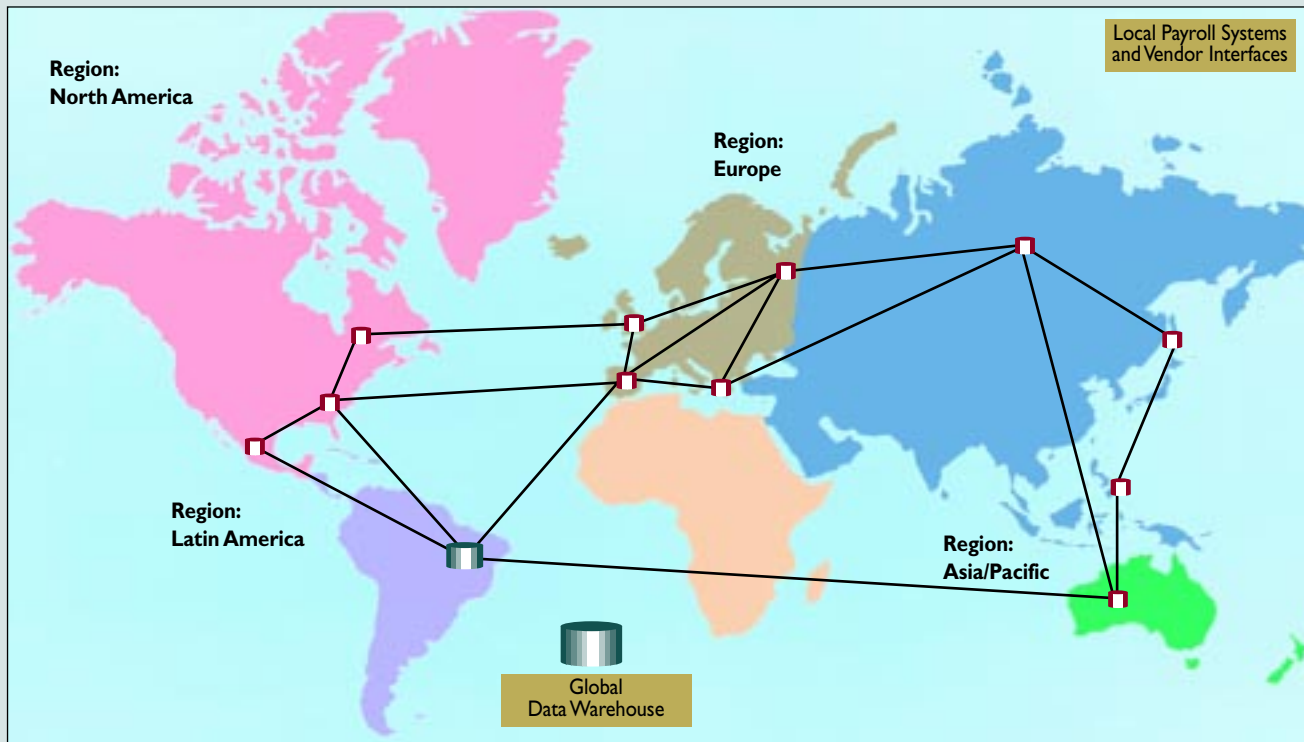


Figure 9. Single Integrated System Model.



ters). Within local sites further subdivisions might include employees and managers (for use in establishing self-

service) and lines of business (by product or industry). In the design of a global HRIS, it is important to decide which HR

service activities should be performed on which levels — which should be global, which should be regional, and

which should be done locally. What is most important is to find the right balance. Figure 10 depicts this stratification between global, regional, and local activities. Using such a hierarchy, activities to be performed globally are assigned to the uppermost level — headquarters. Activities to be carried out regionally are assigned to the regional business units. And, activities to be done locally are assigned to the individual country business units.

◆ **HR Activities that are Typically Performed Globally.** Some HR activities clearly work best when managed at the global level. One example is executive management — the management of the top 50 to 100 people in the organization, including succession planning and compensation management. Obviously, an organization has only one group of such people. Another example of data best administered globally is stock allocation (both purchases and grants), since a company generally has only one set of stock, controlled by the governing body. Global management is also suitable for expatriate strategy and administration, since some expatriate employees prefer (for tax reasons) to be compensated in the local currency of whichever country they are working in.

◆ **HR Activities that are Typically Performed Regionally.** Other functions, however, are harder to manage on a purely global basis and so may be best distributed regionally. Among these are leadership development, management development training, workforce communication, incentive compensation, and records management. Another possibility is policy definition and administration: it is difficult to develop a useful global policy on anything, except for very general principles such as fair labor treatment. Some compensation activities should also be handled regionally, if there is a need to maintain parity between workforces in related countries, as is becoming more and more the case in the European Union. Regional handling might also be effective for recruiting and for some compliance activities, if the same laws apply across the region.

◆ **HR Activities that are Typically Performed Locally.** Local handling is essential for activities that involve “face time” — activities that need to be done in the presence of the employee or manager. If an employee has a personal problem — perhaps a conflict with a supervisor or a death in the family — handling by unknown parties at headquarters thousands of miles away is inappropriate. In addition to performance management, other activities best handled locally include hiring, staffing, team building, employee relations, works councils, labor relations, employee development, and local compliance activities. Local administration is also required for health and welfare benefits, since countries vary greatly in terms of which benefits are provided by the company and which by

the government. Headcount is also often better suited to local management, partly due to the rise in contract and part-time workers, rehired pensioners, temporary workers, and so forth. The challenge is to define what an employee is, even within one country.

Thus, some functions inherently suit one level of management better than another. Nonetheless, in deciding the right level for managing the functions in your own company, a good deal of choice and judgment is required. There is a lot of variety, even within one organization, depending on the culture, management style, and priorities of the company. In designing the global HR organization, input should be sought from all levels, and, in many cases, the ultimate decision should be left to local discretion.

◆ **Alignment to the Business Model.** One critical factor in deciding what type of HRIS model to adopt is the nature of the overall business model that the company already has in place. For example, certain types of businesses offer a highly standardized product, e.g., Coca-Cola, and are clearly candidates for the Global HRIS (while the amount of sugar and carbonation in Coke may be adapted from country to country, the basic product remains the same). In contrast, other companies seek to differentiate their products depending on the customs and tastes in the markets in which they operate (e.g., Mars Candy), and thus may be better suited to the Multinational HRIS (Mars offers different candies under different brand names to suit local preferences). You cannot force a company into a model that is inherently opposed to its overall philosophy and culture. The

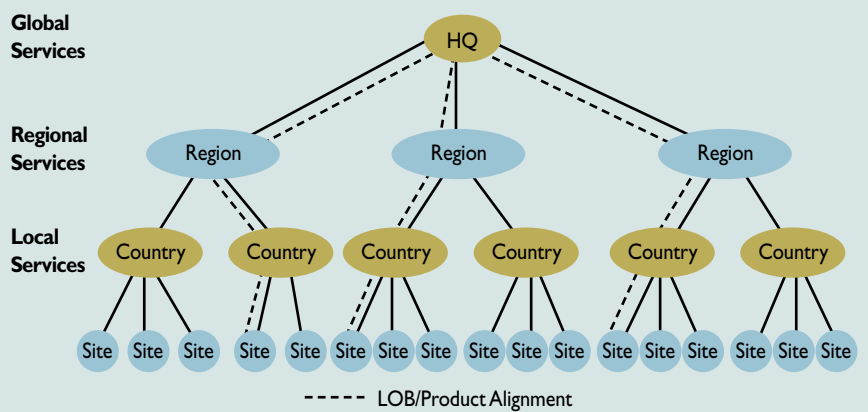
The Hypotheses

- ◆ In HRIS architecture, we would expect:
 - ▶ Global companies to be using the same system
 - ▶ Multinational companies to be using different systems
 - ▶ Transnationals and Internationals to be balanced between the two

- ◆ In sharing of best practices, we would expect:
 - ▶ Global companies to be “enforcing” standards and low cost
 - ▶ Multinationals to have little or no control over practices
 - ▶ Transnationals and Internationals to be balanced between the two

- ◆ In HR operations, we would expect:
 - ▶ Global companies to be controlled by the home office
 - ▶ Multinationals to be skewed toward local control
 - ▶ Transnationals and Internationals to be balanced between the two

Figure 10. HR Service Delivery Model.



ideal is to fit the HR system into the day-to-day operations of the company.

◆ **Alignment to the Enterprise.** Another ideal is that enterprise business issues should drive HR, and HR in turn should drive the HRIS. If HR is fully

aligned with the needs of the business, the HRIS applications and data will automatically serve both HR and the enterprise. And for many organizations they do. In practice, however, sometimes conflicts arise. In such cases, we suggest

that the HRIS must at least serve the needs of the HR function, especially in compliance and plan administration areas. The HRIS is delivering services to the employees, their agencies, line managers, and HR, whether they utilize ser-

Figure 11. The Survey Questionnaire.

ABOUT YOUR COMPANY:

1. What type of Company do you consider yourself to be?
 - Holding company with many independent and separate lines of business
 - Conglomerate with some synergies among businesses under common leadership
 - Similar business with good interaction among business units
2. Where is your Company's worldwide headquarters based?
3. How many countries do you have a presence in (more than a sales office)?
4. List the major ones.
5. How many total employees are there in your Company (approximately)?
6. How many in the Home Country (approximately)?
7. How many ex-patriots and/or third country nationals do you have (approximately)?

ABOUT YOUR HR SYSTEMS ENVIRONMENT:

8. How would you characterize your HR/Payroll systems environment? (Select only one)
 - Multinational — focused on “flexibility” — highly decentralized, with multiple, independent locations, united primarily through financial reporting to Corporate
 - Global — focused on “efficiency” — highly centralized/standardized, with major decisions made at Corporate and then rolled out to local operations
 - International — focused on “learning” — moderately centralized, leveraging competencies and sharing learning from both Corporate and local operations
 - Transnational — focused on “the paradox” — a combination of all of the above, leveraging efficiencies, maintaining flexibilities, and sharing learnings and innovations worldwide.
9. Where are the following HR Plans primarily administered and controlled (Although more than one answer may be valid, please check only one for each function. Check the one where the work is predominately done).

	Home Country/HQ	Regionally	Locally
a. Base Salary/Compensation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Incentives/Bonus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Stock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Pension Plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Succession Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Executive Hiring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Management Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Technical/Professional Recruiting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Technical/Professional Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Payroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

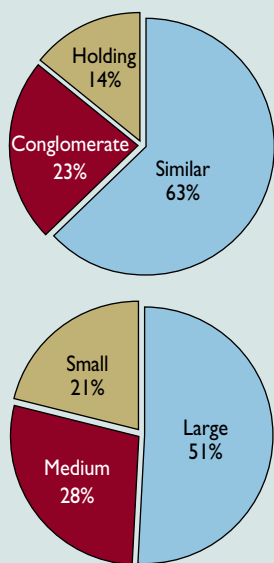
10. Do you use the same, common HR system throughout your Company, i.e. do all countries and subsidiaries use SAP or PeopleSoft or some other global HR system?

11. If so, is there one instance of the HR database?
12. Do you use the same HR database for administration, reporting and analysis?
13. If not, do you have a single data mart/data warehouse that all countries supply HR data to, and report into, with a set of standard data elements?
14. If so, how many data elements are reported by the regions to headquarters?
15. On what frequency?
16. If you have no common HR system, or data mart, how do you administer and/or report on global HR populations and HR plans?
17. Do you have a global HR web site?
18. If so, are there local web pages maintained separately by the individual local entities?
19. Are you supplying HR services through your web site to all employees on a worldwide basis?
20. If so, which ones?
21. If not, do you plan to in the future? If not, why not?

ABOUT YOUR HR ORGANIZATION:

22. Do you provide an international clearinghouse and/or help referral service to your international HR staff on matters such as new technologies and innovative solutions?
23. Do you incorporate best practices from your regional/local operations into the company's overall policies and processes? I.e., Is it likely that an innovation created in São Paulo, Brazil would be embraced by the Corporate Headquarters and implemented throughout the organization worldwide?
24. Do you have regular, face-to-face meetings of your international HR/HRIS staff?
25. If so, how many people attend (from the Home Country and internationally)?
26. How often are such meetings held?
27. Where are they held?
28. What topics are generally presented/discussed?
29. Do you regularly use cross-functional, cross-national teams to work on special projects?
30. If so, how are team members picked and managed?
31. What methods/processes exist to support the team's ability to work together across large geographic distances?
32. What types of projects do they work on?
33. Do all team members have the same compensation plan and objectives?
34. Are the teams members specifically compensated on the results of their teamwork? E.g., a team bonus.

Figure 12. Types and Size of the Sample.



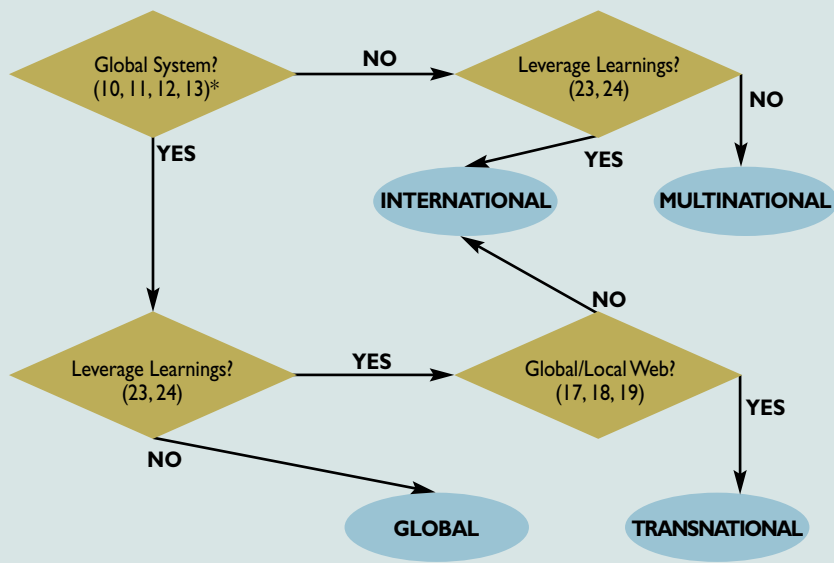
vice centers, databases, or anything else. Therefore, how HR runs itself should be a primary determinant of how the HRIS is run. After satisfying the implicit mandate to support HR plan delivery, then alignment with the business priorities can be addressed. In doing so, HRIS management can then build the applications that are more focused on business priorities, such as recruiting, performance management, succession planning and others.

THE SURVEY: TESTING THE FOUR-STAGE MODEL EMPIRICALLY

◆ **The Hypotheses.** Intuitively convincing though we found the above models, we wanted to test our assumptions empirically to find out if current so-called global companies were like the models. Thus, we formulated several hypotheses (see sidebar) and developed a survey to test them (see Figure 11).

◆ **The Survey.** Our survey uses a self-report questionnaire sent by email to the IHRIM Global Special Interest Group Listserv, which is made up of global American and European companies. We had 50 responses, but had to eliminate 15 because the companies weren't truly international in operations or because their surveys weren't completely filled out. We recognize the limitations of self-report data and small sample sizes, but we felt it important to begin the re-

Figure 13. Testing the Hypothesis.



*Numbers refer to questions in the survey (see Figure 11).

search, and we believe that our preliminary results are sufficiently interesting to justify reporting the results.

Following is some background on the demographics of the companies surveyed (see Figure 12):

- Of the 35 companies in the final survey, over half (18) were large corporations, i.e., companies with more than 29,000 employees. About a quarter (9) were medium-sized, and another quarter (8) were small — fewer than 10,000 employees.
- For 63 percent of the respondents, all business units in the company conducted the same kind of business. About 23 percent of the respondents were conglomerates of different businesses, and 14 percent were holding companies for different businesses.

◆ **Categorizing the Respondents.** To test our hypotheses we began by categorizing each organization according to the four-stage model. To classify a company, we developed a flow chart based on the questions in the survey (see Figure 13). The first questions dealt with whether the company ran their worldwide operations on a single system, with one instance of the database. If not, and if the organization didn't leverage learning, sharing best practices worldwide, our model classified the company as being at our first stage — "Multinational."

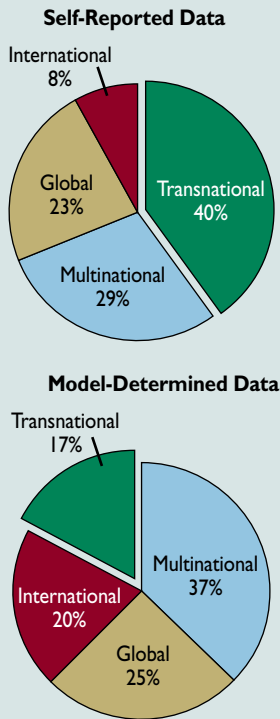
If the company lacked a single system but did share best practices and leverage

learnings, we classified it as "International" — the third model in our typology. If the company had a single integrated system with one instance of the database, and if it did not share and leverage learnings, we classified it as "Global."

If, however, the organization did have ways to share best practices and leverage learning, we asked another set of questions concerned with whether they had a global Web site and allowed local variations on that site. If the answer was "no," we classified the company as "International." But if they did have a global, localizable Web site, as well as met all the criteria above (a single system, one instance of the database, etc.), then our model classified the company in the fourth category — the "Transnational." The Transnational model satisfies all three imperatives of local responsiveness, global efficiency, and leverage of worldwide learnings.

We wanted to compare this classification of the companies in our sample to their own categorization of themselves to see if the results were similar or different. The differences turned out to be systematic. Interestingly, companies tended to classify themselves as being at a more advanced stage than our model suggested (see Figure 14). About 40 percent of the companies classified themselves as Transnational, while our model put only 17 percent in this cate-

Figure 14. Types of HRIS Environments.



***Caveats:**
 ♦ Self-reported Data
 ♦ Not-audited
 ♦ Small sample size

gory. Our model put the majority of the self-described Transnationals into the International category. Undoubtedly, some of this bias towards transnationalism was influenced by the actual wording of the question in the survey, which clearly showed the superiority of the transnational approach.

We want to emphasize that the use of one model or another appears to have no relationship with the profitability or management quality of the company. There are many strong companies in all stages. Our conclusion has to do not with business results, but with self-perceptions: companies tend to perceive themselves as more “advanced” in globalizing HRIS than objective measures based on actual practices suggest. Figure 15 plots the number and percent of companies from our sample on the development curve from Multinational to Transnational. As the figure shows, 37 percent of the companies in our sample are in the Multinational stage, followed next by 25 percent in the Global stage. We found the remaining companies to

Figure 15. Companies on the Development Curve.

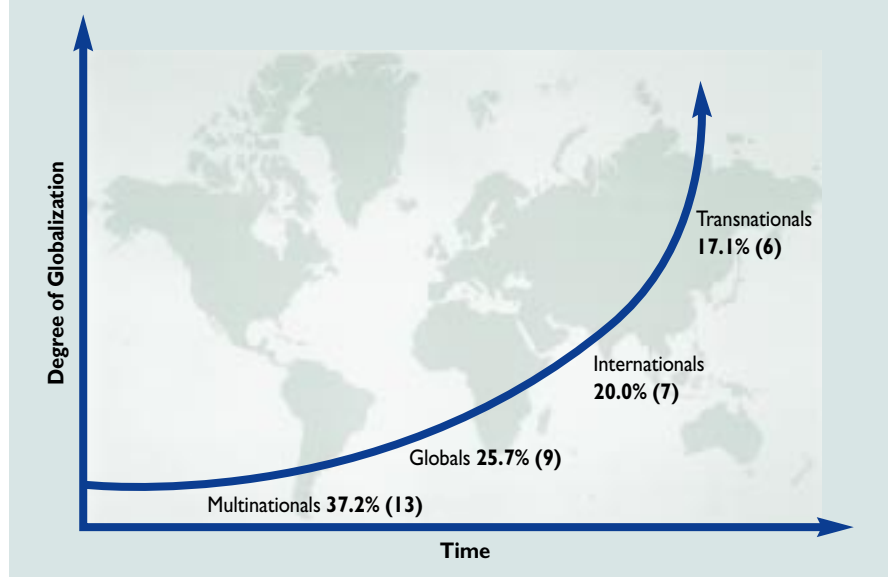
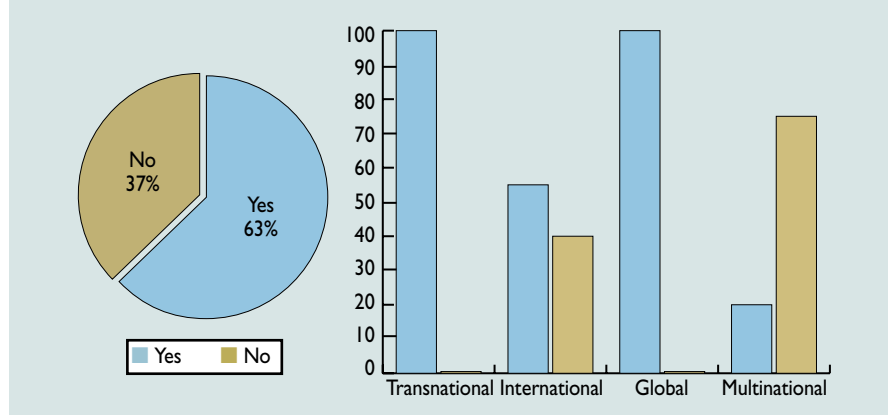


Figure 16. How many companies use the same HR system worldwide?



be split between the International and Transnational HRIS models.

♦ **The Findings.** By definition, the companies our model classified as Global and Transnational all use the same HR system worldwide (see Figure 16). As expected, only 20 percent of the companies we classified as Multinational did. Interestingly, however, International companies were more likely than not to use the same system worldwide.

The majority of companies across all four categories had a global HR Web site. Once again, as expected, this trend was much more pronounced among the Transnational and Global companies.

By definition, all the Transnational and International companies focus on sharing best practices (see Figure 18). Less predictably, a third of the Multinationals did. More predictably, only 20

percent of the Global companies did. As the model states, a Global company is less concerned about what its units are doing locally; efficiency is what matters in these centralized organizations.

The same findings emerge with respect to regular global HR meetings (see Figure 19). Global organizations rarely bother to hold them. Such meetings allow headquarters to listen to the needs and concerns of local staff, but such responsiveness is not a concern for Global companies.

♦ **Global versus Local Handling of HR Functions.** Our next area of inquiry considered the question of whether certain HR functions are inherently better handled globally or locally. We asked organizations about ten common areas of HR. Our model suggested that certain functions would best be handled locally and

Figure 17. How many companies have a global website for HR?

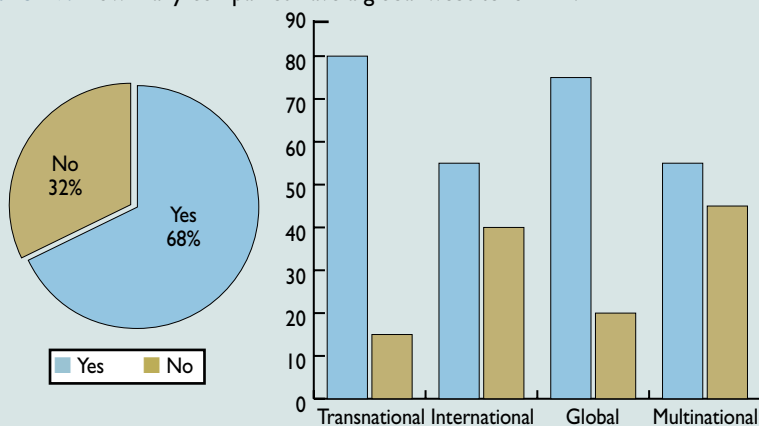


Figure 18. How many companies share and implement global HR best practices?

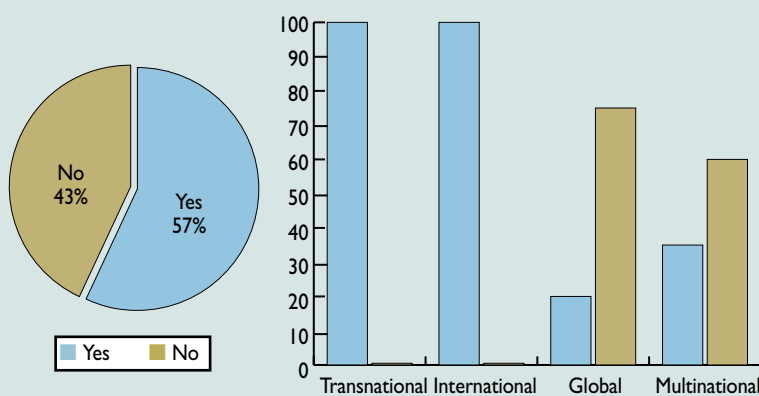
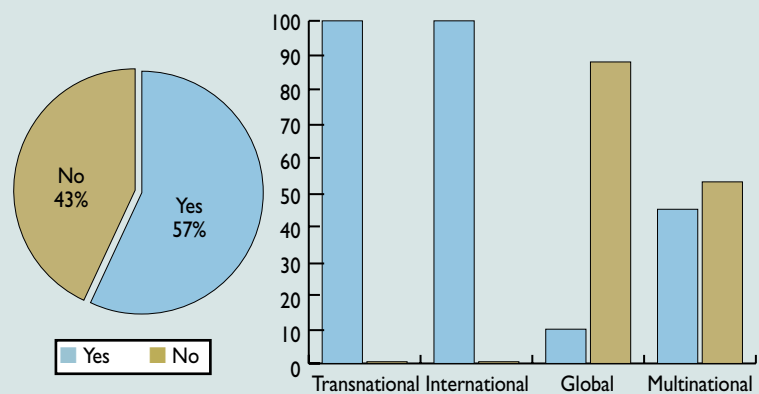


Figure 19. How many companies have regular global HR meetings?



others centrally. At the same time, however, the hypotheses predicted that most Global company functions would be controlled by the home office, most Multinationals would be skewed toward local operations, and Transnationals and Internationals would be balanced.

The results fit our hypotheses only partially (see Figure 20). Although our model led us to expect that Multination-

als would handle most functions locally, our expectations were only partially verified. These organizations turn out to be “bi-polar” (see Figure 21). They handle more functions in the central office than we expected, no doubt because those functions — stock options, executive hiring, succession planning — are best done centrally by almost any company, regardless of category.

Our model also predicted a strong home-office bias among Globals; however, the survey suggests that they are only slightly biased in that direction. Globals do handle five of the ten functions we examined from the home office, but tend to leave four of them to local or regional units (base salary, payroll, and technical/professional hiring were likely handled by local units, and bonuses by the regions). Again, stock options, succession planning, executive hiring, management development, and pensions are all handled centrally — but that is equally true of the less centralized Multinational companies.

IMPLICATIONS AND CONCLUSIONS

The basic conclusion from our research is that companies are not as far along the development curve as we had thought they would be or as they themselves imagined. This is not necessarily negative: presumably companies are using a model that best fits their business needs.

Another finding was that most functions are performed on the level that suits them best. For example, succession planning and executive hiring are done by the home office; hiring, training, and payroll are performed locally; “face-to-face HR” and “HR as the business partner” functions are being done locally. We believe that these “high touch” activities should be close to the client. The companies we surveyed agree.

Because certain functions inherently call for local or international handling, the four organizational models were not as differentiated as we expected in their apportionment of local and international control. Future work should focus on more detailed questioning in this area to ascertain the differences.

◆ **Areas for Future Growth.** One surprise for us was that very few functions are performed regionally. Regional control may represent an area for future growth, as greater efficiencies and increased responsiveness may be made possible by regional control of some functions. A lack of sufficient regional staff may be one reason why companies have not taken advantage of what regional control might offer.

Current levels of technological sophistication may also be holding back

the globalization of some functions. For example, few global payroll products are yet available on the market. Perhaps new versions of PeopleSoft, SAP and other products will allow more functions to be handled on regional or global levels.

With the increase in globalization, we believe that more and more companies will adopt the Transnational model. This new model strikes an effective balance between the conflicting demands facing worldwide organizations, such as the complexity of inter-organizational relationships, the dissolving of corporate boundaries, and the growth in the use of the Internet. For addressing these trends, the Transnational model, with its balance between central and local control, is especially effective.

KEYS FOR SUCCESS

So how do you go about globalizing your HRIS? We recommend that you consider the following points:

- ◆ Decide function-by-function and task-by-task where each activity should be performed. Activities should be distributed across all three levels: global, regional, and local. This is not an all-or-nothing activity.
- ◆ Push those functions toward global implementation that demand efficiencies and not face-time. When a function demands face-to-face responsiveness, push it toward local implementation. And when neither approach is clear, look to knowledge sharing and seek out best practices.
- ◆ Put yourself in the shoes of those on the other side — those receiving instructions about the HRIS. If you ask front-line staff whether HR adds value to their activity, the local HR person receives strong support, the regional office minimal value, and home headquarters none whatsoever. Data on such reports hasn't changed in 25 years. In trying to win local support, then, bear in mind that units are unlikely to view corporate HR as a friend. Winning buy-in is always crucial.
- ◆ Make decision-making part of the mainstream of the organization and obtain buy-in by getting input and involvement from those who will be implementing the decisions. Instead of making all decisions at headquarters, involve people from across the organization by set-

Figure 20. Analysis of HR Service Areas in Surveyed Corporations.

Base Salary	Home	Region	Local
Multinational	23%	23%	54%
International	14%	43%	43%
Global	11%	33%	56%
Transnational	17%	33%	50%

Bonus	Home	Region	Local
Multinational	47%	38%	15%
International	72%	14%	14%
Global	11%	78%	11%
Transnational	66%	17%	17%

Stock	Home	Region	Local
Multinational	77%	15%	8%
International	100%	0%	0%
Global	100%	0%	0%
Transnational	83%	17%	0%

Pension	Home	Region	Local
Multinational	31%	23%	46%
International	43%	14%	43%
Global	78%	22%	0%
Transnational	17%	17%	66%

Succession Planning	Home	Region	Local
Multinational	70%	15%	15%
International	86%	14%	0%
Global	56%	22%	22%
Transnational	50%	17%	33%

Executive Hiring	Home	Region	Local
Multinational	62%	38%	0%
International	72%	14%	14%
Global	78%	22%	0%
Transnational	66%	34%	0%

Mgmt Development	Home	Region	Local
Multinational	46%	39%	15%
International	0%	57%	43%
Global	44%	22%	34%
Transnational	66%	34%	0%

Tech/Prof Hiring	Home	Region	Local
Multinational	0%	39%	61%
International	0%	43%	57%
Global	34%	11%	55%
Transnational	0%	50%	50%

Tech/Prof Training	Home	Region	Local
Multinational	8%	39%	53%
International	33%	33%	44%
Global	11%	0%	89%
Transnational	0%	83%	17%

Payroll	Home	Region	Local
Multinational	0%	15%	85%
International	14%	14%	72%
Global	22%	0%	78%
Transnational	0%	34%	66%

ting up annual strategic conferences, quarterly theme meetings, ad hoc development committees, Internet chat rooms, etc.

in your organization: that is, develop at least three relationships horizontally across the organization (in, say, HR, Payroll, and Finance) and also three rela-

To find the best solution for your situation, you have to look at where you are on the development curve and what type of systems your people are willing to accept. You can't force change on people.

- ◆ Make sure that your technology is first-rate and not holding you back. Most of the companies we surveyed would agree that technology is a restraining factor today. Technology is not a be-all and end-all: it is an enabler, and we need to make sure it is not getting in our way or pursued for its own sake.
- ◆ Preserve cultural differences and value diversity. International diversity is one of the main values brought by globalization. Letting such diversity flourish produces the best results for the entire organization.
- ◆ Develop global thinking and relationships. Get out of the office and travel. You won't really be able to appreciate best practices and bring them into the organization unless you experience them directly. Even a short international assignment can be an eye-opener.
- ◆ Get and stay connected to the business, as well as to the HR and IT functions — at multiple levels in the organization. We recommend that you establish “three-by-three relationships”

tionships vertically, from analysts to managers to executive management. Unless you have a broad cross-section of support, your focus will be too narrow and your influence on the organization will be limited.

- ◆ Develop standards and consistency. Given the communication barriers that exist between national cultures, the potential for miscommunication is enormous. You need to define terms so that they mean the same thing to everyone in your organization.
- ◆ Remember: “one size does not fit all”! There's never just one solution to a problem. To find the best solution for your situation, you have to look at where you are on the development curve and what type of systems your people are willing to accept. You can't force change on people.⁸
- ◆ Finally, provide the connectivity and be the “glue” in your organization. As HR professionals, we must assume the leadership role.

ENDNOTES

- 1 See Karen Beaman. “‘Europeanisation’ and the New European Business Environment.” *IHRIM Journal*. September 1999. Volume III. Number 3. pp. 44-50.
- 2 *Sturm und Drang* [or storm and stress] refers to a late 18th century German romantic literary movement whose members depicted in their work highly emotional individuals struggling against conventional society and generally accepted standards.
- 3 Stan Davis and Christopher Meyer. *Blur: The Speed of Change in the Connected Economy*. Little Brown and Company, 1999.
- 4 Christopher Bartlett and Sumantra Ghoshal. *Managing Across Borders: The Transnational Solution*. Second Edition. Harvard Business School Press, 1998.
- 5 See Karen Beaman. “On Globalizing HRIS: Moving to a Transnational Solution.” *IHRIM.link*. December/January 2000. pp. 32-36.
- 6 See Alfred J. Walker. “The Future of the Human Resource Function.” *IHRIM.link*. December 1999/January 2000. pp.14-19.
- 7 See Alfred J. Walker. “Transforming the Global Human Resources Function: A Technology Driven Model.” *IHRIM Journal*, Volume 2, Issue 2. June 1998. pp. 11-17, and Alfred J. Walker, *Handbook of Human Resource Information Systems: Reshaping the Human Resource Function With Technology*. McGraw-Hill, 1992.
- 8 Obviously, these trends will require a good deal of change management. The traditional change model starts with the formal structure and responsibilities of

Figure 21. Comparison of HR Service Areas in Surveyed Corporations.

HR Service Area	Multinational (majority)	Global (majority)	International (majority)	Transnational (majority)	Overall Percentages
Base Salary	Local	Local	Local	Local	Local 54%
Bonus	Home office	Regional	Home office	Home office	
Stock	Home office	Home office	Home office	Home office	Home 89%
Pension	Local	Home office	Local	Local	
Succession Planning	Home office	Home office	Home office	Home office	Home 65%
Executive Hiring	Home office	Home office	Home office	Home office	Home 57%
Management Development	Home office	Home office	Regional	Home office	
Technical/Prof Hiring	Local	Local	Local	Local	Local 60%
Technical/Prof Training	Local	Local	Local	Regional	Local 51%
Payroll	Local	Local	Local	Local	Local 77%
SUMMARY	5 home, 5 local	5 home, 4 local, 1 regional	4 home, 4 local, 2 regional	5 home, 4 local, 1 regional	
	Bi-polar	Slightly skewed Home	Balanced	Slightly skewed Home	

the organization. The interpersonal processes and relationships in the organizational are supposed to change as an inevitable result. These changes, in turn, are supposed to lead to change in the individual attitudes in the organization. But we think that a better approach to change models is the reverse. First, you change individual attitudes and mentalities in the organization. When these change, the interpersonal processes and relationships change as a result. On that

basis, it becomes easier to change the formal structures and responsibilities. Why do we prefer this approach? Because if you install a new formal structure when the culture isn't ready you will encounter a lot of resistance and little acceptance. Also, it's very important when you look at implementing any kind of change that you ask what the need is. If the need — the pain — isn't there, then you won't have the support to go forward. Is the capacity there? Do people

have the resources and cycles they need to change? And then, do they have the knowledge and tools they need to adapt? Addressing all these questions will lead to more effective change management.

For authors' biographies, see pages 112 and 115.

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