Survey of Best Practices in Global HR Technology
Session # 527

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Current Research Goal

Are there best practices in Global HR Technology?

If so, what are the contexts and determinants of best practice?

Key Learnings from this Session

HR Technology…

- … practices are not universal

- … must be aligned with the organizational business model

- … must be appropriately centralized <u>and</u> decentralized for effective leveraging of best practices

- … must be aligned with HR plans, programs, and strategies

- … can serve as the lynchpin for supporting your global development

Outline for this Session

- **Background**
  - HR Business Environment
  - Bartlett and Ghoshal Four Organizational Models
  - Organizational Evolution and Developmental Curve

- **Current Survey**
  - Research Goals and Approach
  - Survey Respondents and Demographics
  - Efficiency Innovation Model (EIM)
  - The Effectiveness Arch and the Magic Middle
  - Optimal Efficiency and Maximum Innovation
 - Identifying Best Practices

- **Conclusions**
  - Cultivating a Transnational environment

Managing the Paradox

"We are entering the age of unreason, when the only prediction that will hold true is that no prediction will hold true."

Charles Handy

- Successful organizations and leaders learn to live with paradox or "dilemmas."

- We have to reconcile what used to be considered "opposites", instead of choosing between them.

- We have to become both the "elephant" (i.e., develop scale and reach) and the "flea" (i.e., remain small and innovative).

Source: Charles Handy, 1994
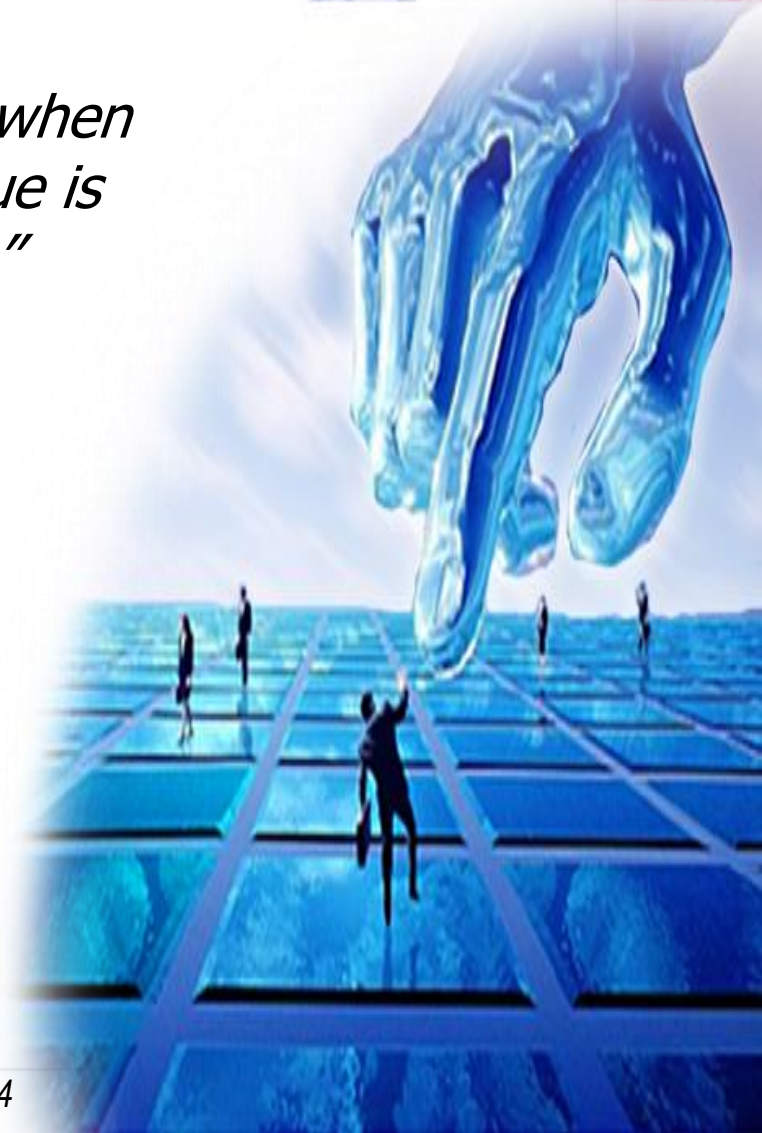
HR Business Environment

- Since 1991, HR budgets have continued to decline and HR staffing levels have continued to shrink.

- Today, more than half of our budgets are still consumed by administrative and transaction processing costs.

- Leading companies are driving costs down 25% to 50% by:
  - Initiating company-wide process redesign and standardization efforts, benchmarking others and seeking to leverage best practices.
  - Emphasizing strategic business partner roles, using techniques such as Outsourcing and Self-Service to reduce the administrative burden.
  - Utilizing new technologies with more effective service delivery models, such as Shared Services and Off-shoring.
  - Driving metrics and value to the enterprise, linking HR results to overall business results and enhancing shareholder value.
  - Improving the development of human capital to increase individual productivity and organizational effectiveness.
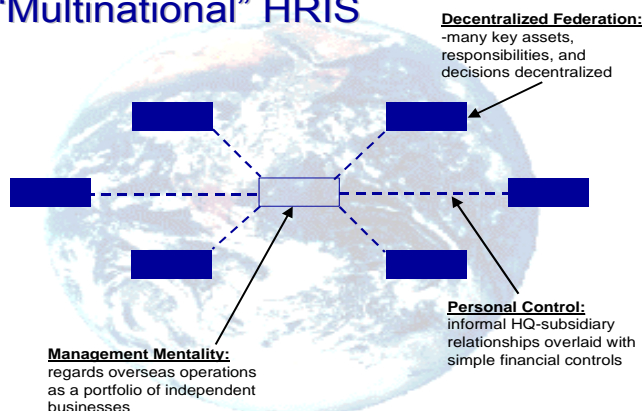
How to Do More with Less
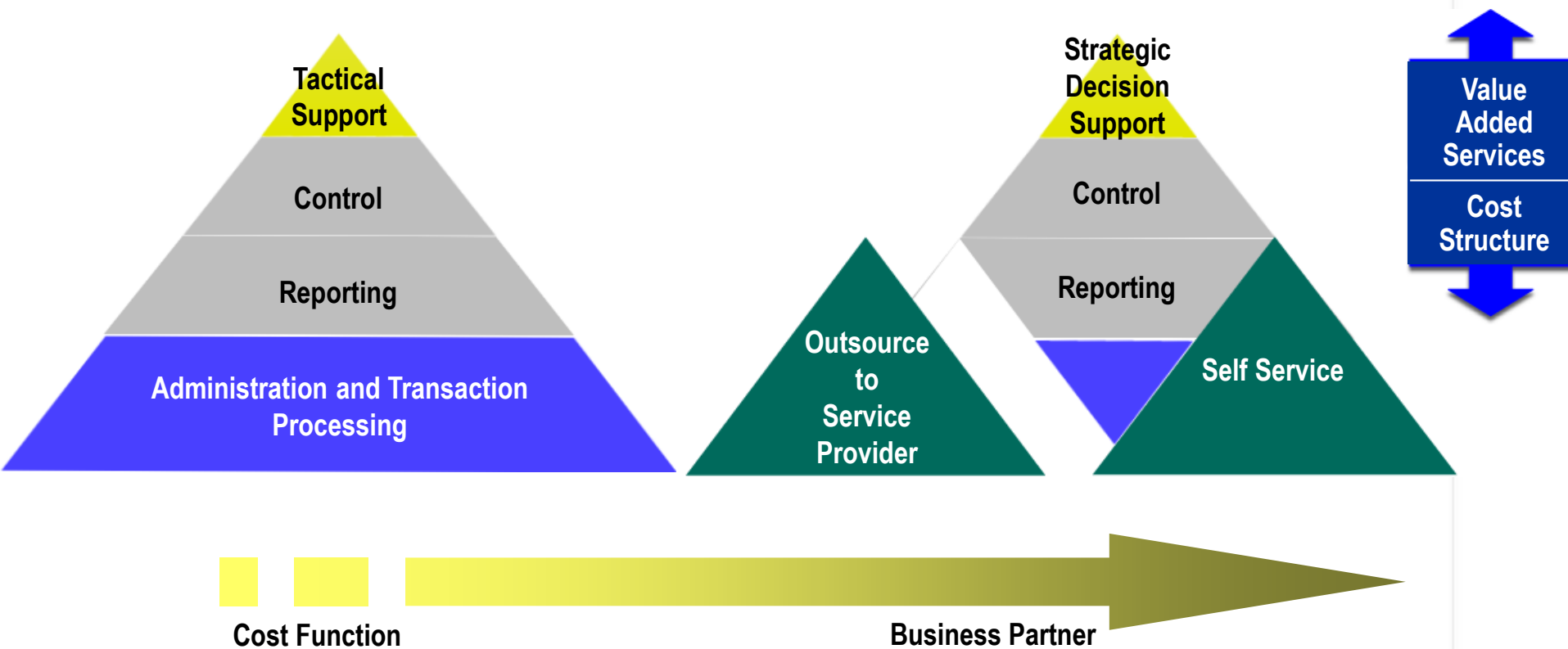
Background for this Study

- The current study is based on the work of Christopher Bartlett and Sumantra Ghoshal, *Managing Across Borders: The Transnational Solution* (1991).

- All companies are bound by their own administrative heritage – their corporate history – which influences their development.

- Bartlett and Ghoshal define four organization models for categorizing a company's business culture and operating style:
  - *Multinational* – highly decentralized or "multi-local"
  - *Global* – highly centralized and control-oriented
  - *International* – both centralized and decentralized, focused on learning
  - *Transnational* – highly networked – combination of other three

- Organizational development, along with HR/HRIS development, is an evolution – a journey – along the road toward optimal organizational effectiveness.

Bartlett and Ghoshal
Four Organizational Models

"Multinational" HRIS

Decentralized Federation:
-many key assets, responsibilities, and decisions decentralized

Personal Control:
informal HQ-subsidiary relationships overlaid with simple financial controls

Management Mentality:
regards overseas operations as a portfolio of independent businesses

"Global" HRIS

Centralized Hub:
-most strategic assets, resources, responsibilities, and decisions centralized

Operational Control:
tight central control over decisions, resources, and information

Management Mentality:
regards overseas operations as delivery pipelines to a unified global market

- Manages a portfolio of multiple, distinct, national organizations / "multi-local"

- High focus on local needs and responsive to regional differences

- Allows local operations a significant amount of freedom and organizational autonomy
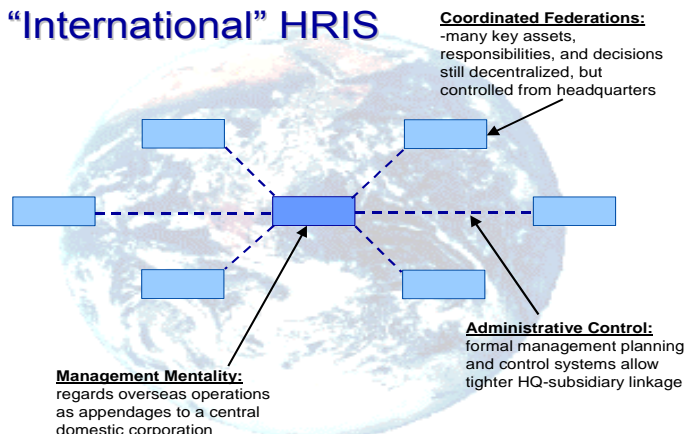
- "Anything goes" / "Multi-headed monster"
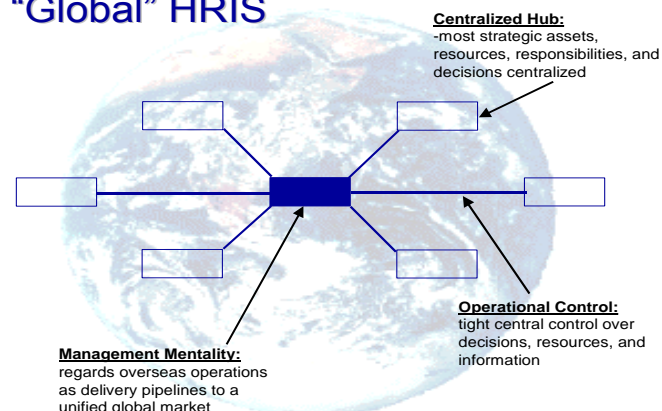
- High focus on efficiency and creating a single, standardized organization

- Uniform, global operating environment as the driving force

- Minimization of national and local needs

- One single "sanitary" solution based primarily on mother company's needs
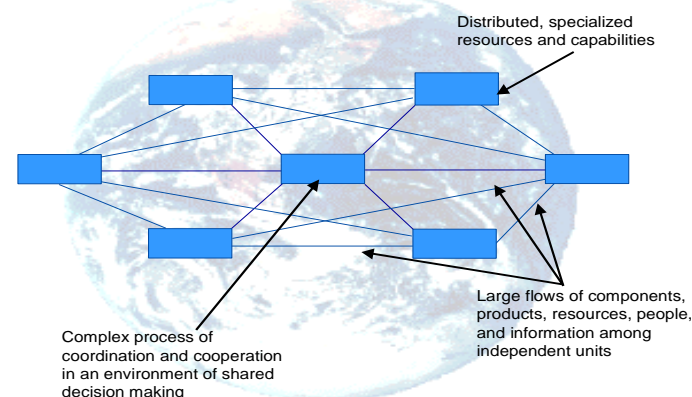
- "One-size-fits-all" approach

Bartlett and Ghoshal
Four Organizational Models

"International" HRIS

Coordinated Federations:
-many key assets, responsibilities, and decisions still decentralized, but controlled from headquarters

Administrative Control:
formal management planning and control systems allow tighter HQ-subsidiary linkage

Management Mentality:
regards overseas operations as appendages to a central domestic corporation

- Takes a "learning" and "sharing" approach through transferring and adapting knowledge

- Corporate still retains considerable control and influence over local organizations

- Allows for exploitation of both parent and local organization core competencies

- "Middle-of-the-road"

"Transnational" HRIS

Distributed, specialized resources and capabilities

Large flows of components, products, resources, people, and information among independent units

Complex process of coordination and cooperation in an environment of shared decision making

- To be competitive, an organization needs to be good at all three!

  ✓ Local responsiveness/flexibility

  ✓ Global efficiency/competitive

  ✓ Worldwide learning capability

- We must embrace and exploit the paradox

Bartlett and Ghoshal Organizational Evolution
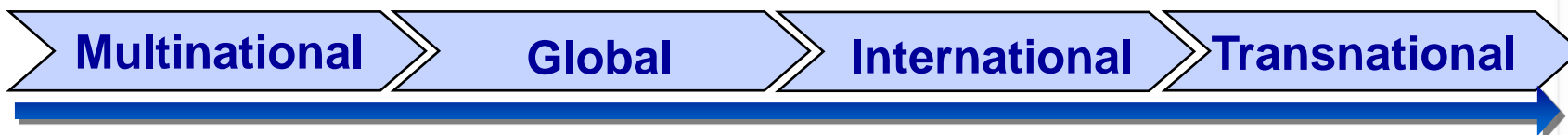
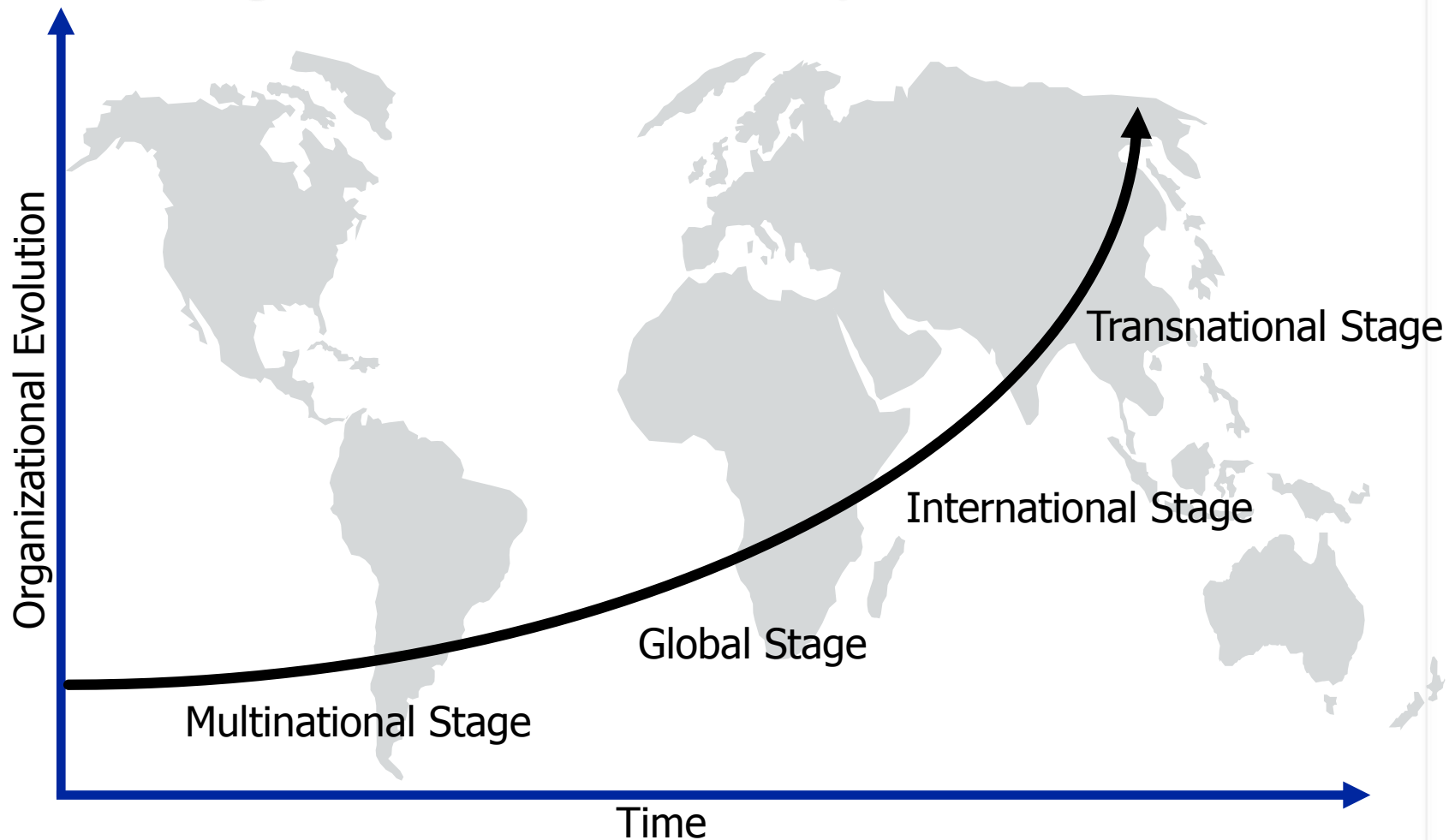|	Multinational	Global	International	Transnational
Capabilities:	Decentralized and self-sufficient	Centralized and globally scaled	Only sources of core competencies centralized	Dispersed, interdependent, and specialized
Operations:	Seeking and exploiting local opportunities	Implementing parent company strategies	Leveraging parent company competencies	Differing contributions by national units
Management:	Subs comprise a portfolio of independent businesses	Subs are delivery pipelines to global market	Subs are appendages to domestic corporation	Coordination & cooperating shared decision-making
Knowledge:	Knowledge developed and retained within each unit	Knowledge developed and retained at the center	Knowledge developed at center; 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 HQ	Large flows among individual business units

Bartlett and Ghoshal Organizational Development Curve

(Vertical axis) Organizational Evolution

(Horizontal axis) Time

Transnational Stage

International Stage

Global Stage

Multinational Stage

Current Research Goal

Are there best practices in Global HR Technology?

If so, what are the contexts and determinants of best practice?

Current Research Approach

■ In collaboration with Rutgers University, build on the initial Beaman and Walker study from 2000 (*"Globalizing HRIS: The New Transnational Solution," IHRIM Journal, October 2000).*

■ Expand the original survey to encompass a broader set of questions on the organization and on HR technology.

■ Expand the survey base to the Global Fortune 500.

■ Build a model to further test the hypotheses of the initial study and to uncover best practices in leading organizations.

The Survey

- Collaborative effort among:
  - ADP – Karen Beaman
  - Towers Perrin – Al Walker
  - Rutgers University – Dr. Charles Fay
  - New York University – Dr. Gregory Guy

- Questions about:
  A. The Company
  B. HR Function
  C. HR Technology

- Respondents from:
  - IHRIM GSIG (original study in 2000)
  - IHRIM seminar in New York City (June 2002)
  - ADP seminar in Singapore (October 2002)
  - Phone calls to the Fortune 500 (2003)

Survey Participants (50)

Original Survey 2000
British Airways
Cadence
Celestica
Fuller
Johnson Controls
Lexmark
Lucent
Merck
Motorola
PeopleSoft
Rockwell
SAP
Seagate
Shell
Tektronix

NYC Seminar 2002
ADP
American Standard
Avaya
EMC
Estee Lauder
York International

Singapore Seminar 2002
Abacus International
Alcatel
AMD
BT Services
Deutsche Bank
Dow Chemical
Eastman Chemical
International Flavors
Levis Strauss
OCBC Bank
Oracle

Current Survey 2003
Abbott Laboratories
American Express
BHP Billiton
Canadian Imperial Bank
Canpn
Cisco Systems
Exxon
Ford Motor Company
General Motors
Goldman Sachs
Halliburton Companies
Hewlett-Packard
Honeywell
L'Oreal
Pfizer
Sara Lee
TD Bank Financial
Weyerhaeuser

Demographics of Survey Participants

Countries	Count	Percent
USA	36	72%
Canada	3	6%
UK	3	6%
France	2	4%
Germany	2	4%
Australia	1	2%
Singapore	2	4%
Japan	1	2%
Total	50	100%

	Min	Max	Mean
No of Ees	1,200	300,000	59,746
No of Cos	6	162	53

Business Entities	Count	Percent
Single	16	32%
Multiple	27	54%
No Answer	7	14%
Total	50	100%

Industry	Count	Percent
Mining	1	2%
Manufacturing	26	52%
Retail	3	6%
Information Systems	7	14%
Finance	6	12%
Energy	2	4%
Transportation	1	2%
Telecommunications	3	6%
No Answer	1	2%
Total	50	100%

Marketing Strategy	Count	Percent
Global Brand	29	58%
Multiple Brands	7	14%
No Answer	14	28%
Total	50	100%

Lines of Business	Count	Percent
Global	29	58%
Local	4	8%
No Answer	17	34%
Total	50	100%

R&D	Count	Percent
Centralized	29	58%
Decentralized	4	8%
No Answer	17	34%
Total	50	100%

Organization Type	Count	Percent
Multinationals	16	32%
Globals	11	22%
Internationals	10	20%
Transnationals	13	26%
Total	50	100%

Efficiency Innovation Model (EIM)

- The Beaman and Guy *Efficiency Innovation Model* (EIM) is a technique for assessing an organization's capabilities along two vital dimensions:

  - *efficiency* – the degree of centralization/ decentralization of the organization; maximum efficiency is achieved through the right balance between localization and centralization

  - *innovation* – the ability to implement best practices throughout the organization regardless of whether they are developed in the local operations or at headquarters

- EIM can be used to assess an organization's structure and thereby determine the most effective HR programs and strategies.

Efficiency Innovation Model (EIM)
Measurement

Efficiency Measures – Centralization/Decentralization Factors

1. HR Systems (one or many)
2. Single Data Repository
3. R&D Centralized or Decentralized
4. Variation in HR Policies across countries
5. Financial Goal Setting (globally, locally, by line of business)

Innovation Measures – Best Practice Adoption Factors

1. Regional HR involvement in Business Planning
2. Local HR involvement in Business Planning
3. Acceptance of Line Management innovations
4. Frequency of HR Meetings
5. Adoption of Best Practices from Local operations

Efficiency Innovation Model (EIM)
Efficiency

Efficiency Measures – Centralization/Decentralization Factors

C1

No of HR Systems	Count	Percent
One Global	22	44%
Multiple	28	56%
No Answer	0	0%
Total	50	100%

C6

Single Data Repository	Count	Percent
Yes	33	66%
No	17	34%
No Answer	0	0%
Total	50	100%

A17

R&D	Count	Percent
Centralized	29	58%
Decentralized	4	8%
No Answer	17	34%
Total	50	100%

B1

HR Policies	Count	Percent
Minimally Different (<3)	12	24%
Both Similar/Different (3)	18	36%
Very Different (>3)	16	32%
No Answer	4	8%
Total	50	100%

A19

Financial Goals	Count	Percent
Set Globally	6	12%
Set Locally	3	6%
Set by Line of Business	21	42%
No Answer	20	40%
Total	50	100%

Algorithm: (C1+C6+A17+B1+A19)*4-10

1 point for each: global HR system, single data repository, centralized R&D, minimally different HR policies, global goals; min score of –10; max score of 10; optimal score of 0 (adjusted for missing questions).

Efficiency Innovation Model (EIM)
Innovation

Innovation Measures – Best Practice Adoption Factors

B9B

Region HR Planning	Count	Percent
Minimally Involved (<3)	17	34%
Average Involvement (3)	8	16%
Very Involved (>3)	19	38%
No Answer	6	12%
Total	50	100%

B12

Line Mgmt Innovation	Count	Percent
Minimal Acceptance (<3)	6	12%
Average Acceptance (3)	11	22%
Maximal Acceptance (>3)	13	26%
No Answer	20	40%
Total	50	100%

B7

Local Best Practices	Count	Percent
Frequently Adopted	6	12%
Sometimes Adopted	25	50%
Never Adopted	19	38%
No Answer	0	0%
Total	50	100%

B9C

Local HR Planning	Count	Percent
Minimally Involved (<3)	19	38%
Average Involvement (3)	11	22%
Very Involved (>3)	14	28%
No Answer	6	12%
Total	50	100%

B4B

HR Meeting Freq	Count	Percent
Monthly	36	72%
Quarterly	9	18%
Annually	0	0%
No Answer	5	10%
Total	50	100%

Algorithm: (B9B+B9C+A12+B4B+B7)

1-5 for regional HR planning, 1-5 for local HR planning 1-5 for line mgmt involvement; 0-3 for HR meeting frequency (monthly, quarterly, annually), 1-5 for local best practices; min score of 0; max score of 23; optimal score of 12 (adjusted for missing questions).
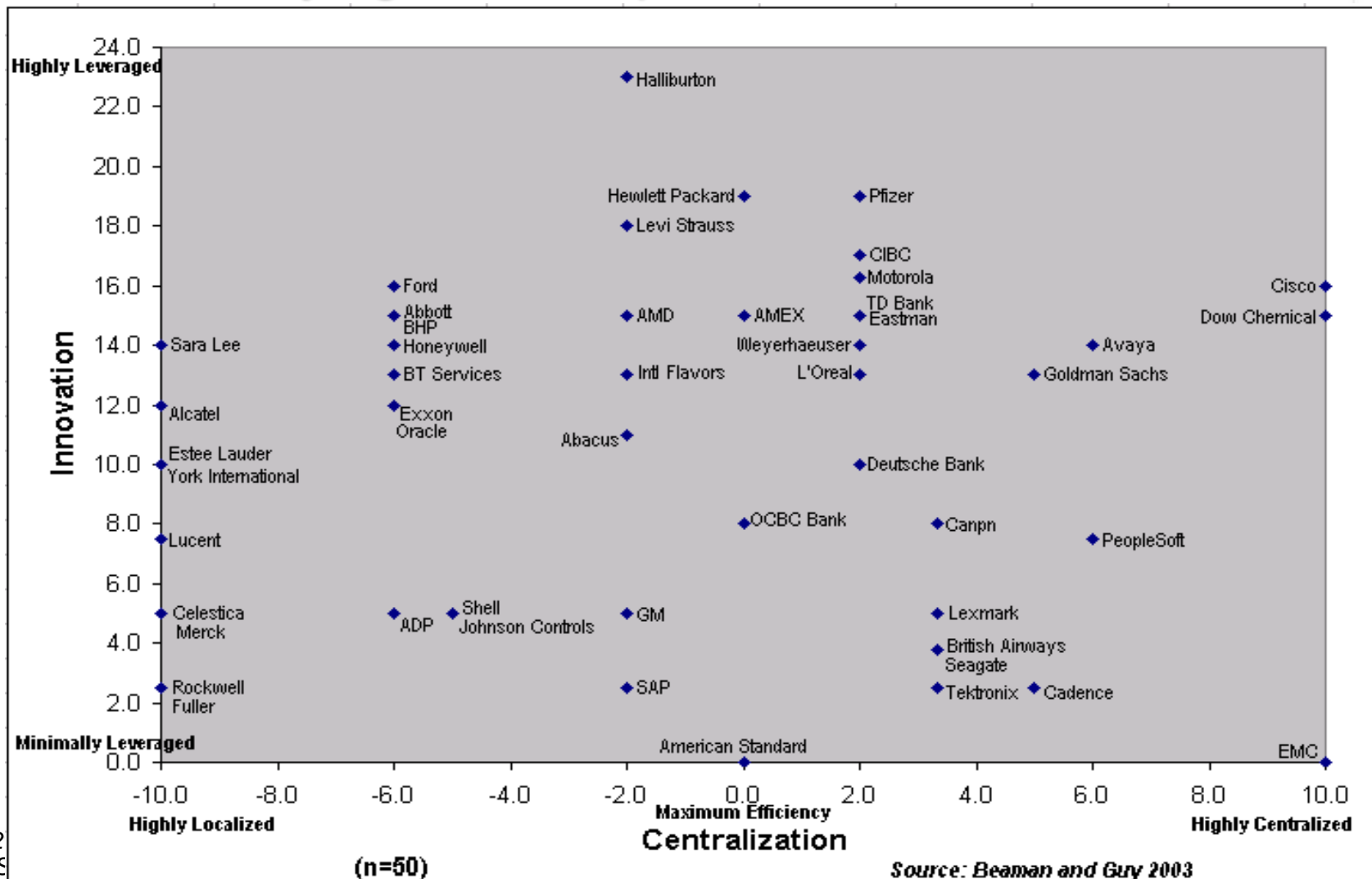
Efficiency Innovation Model (EIM)
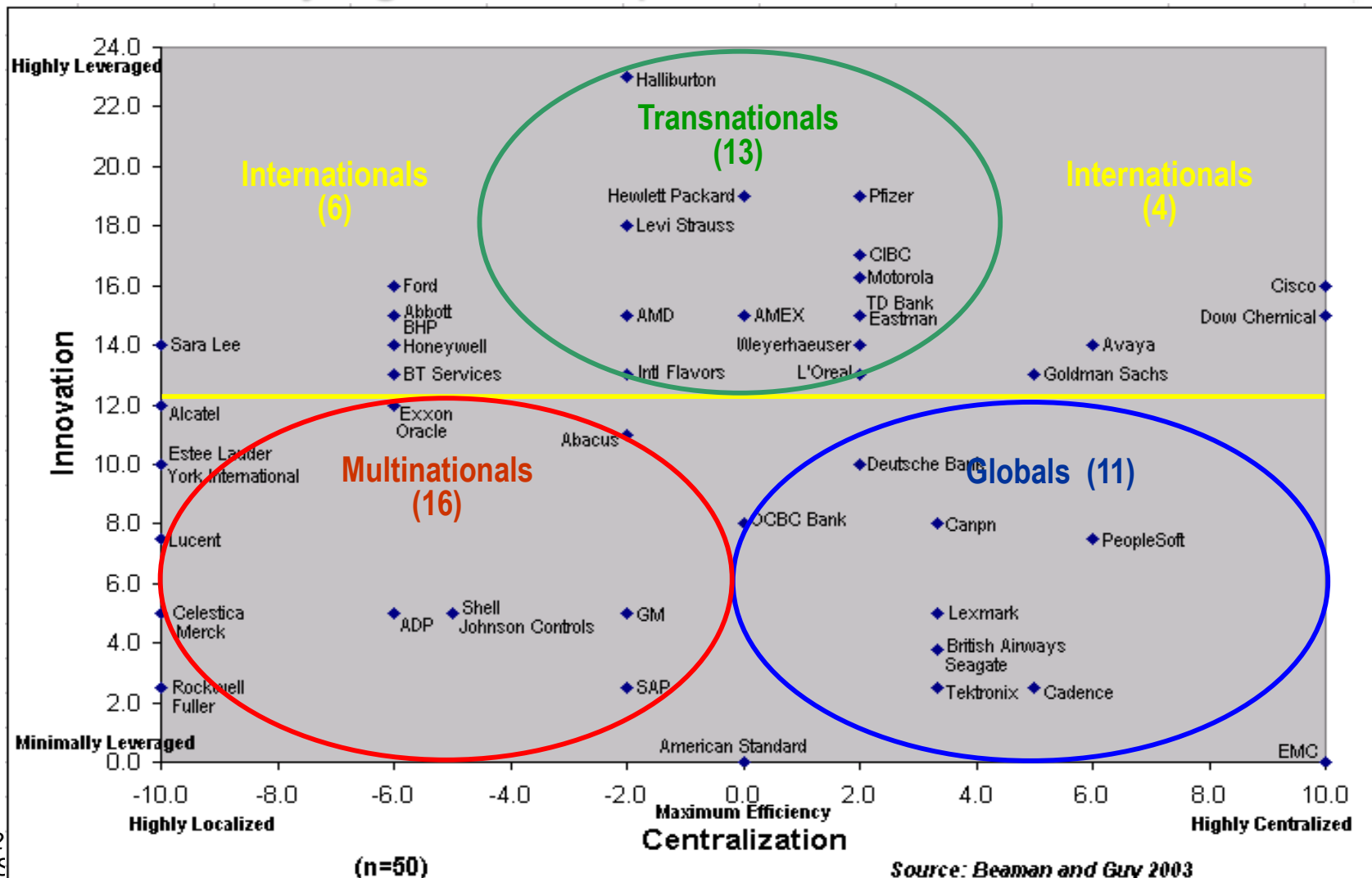## Identifying the Companies

Source: Beaman and Guy 2003

(n=50)

Efficiency Innovation Model (EIM)
Identifying the Companies

Source: Beaman and Guy 2003

(n=50)

Efficiency Innovation Model (EIM)
Identifying the Companies

Source: Beaman and Guy 2003

(n=50)

Efficiency Innovation Model (EIM)
"Effectiveness Arch" and "Magic Middle"

(n=50)

Source: Beaman and Guy 2003
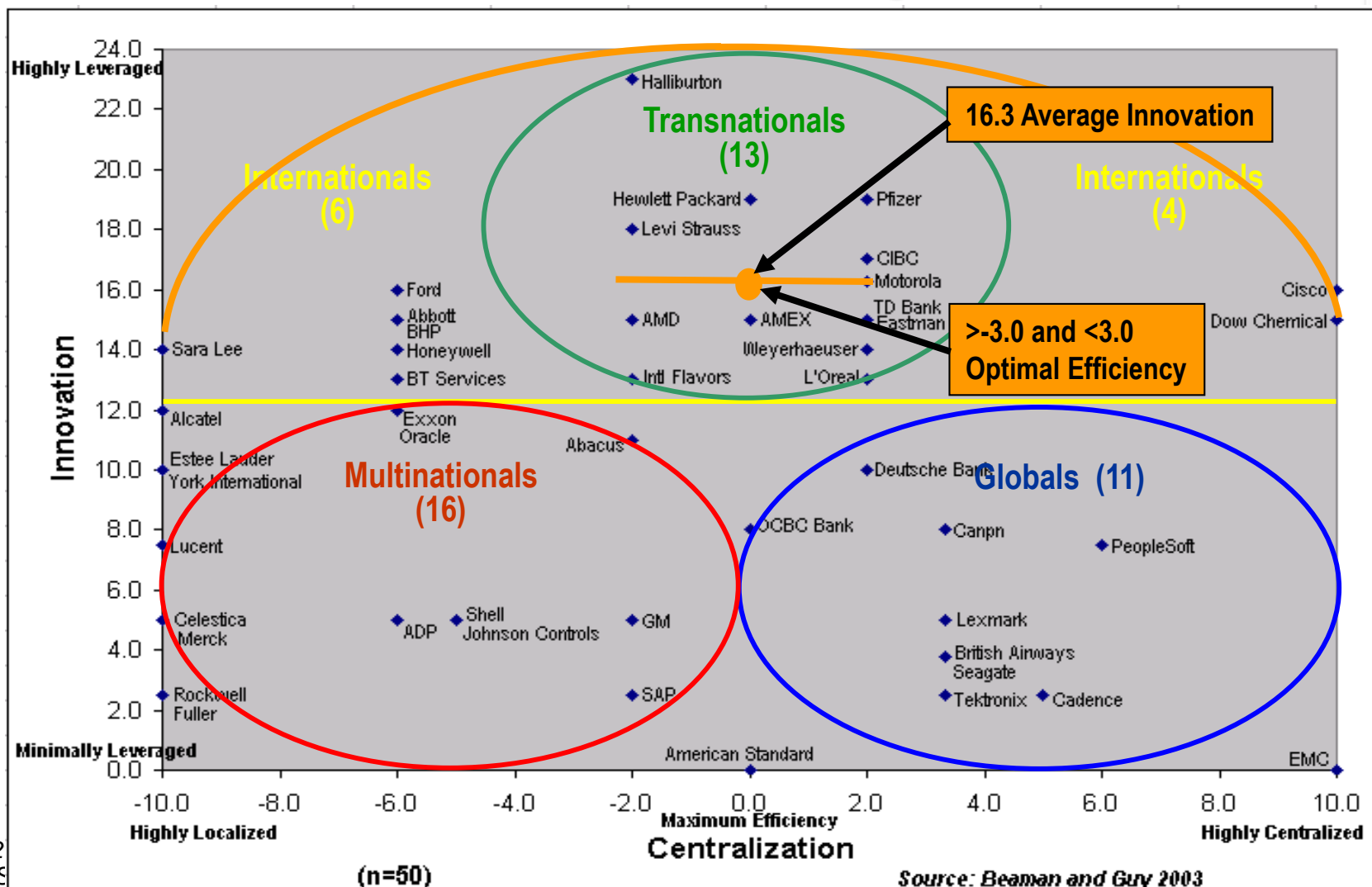
Efficiency Innovation Model (EIM)
"Effectiveness Arch" and "Magic Middle"

- Companies are distributed in an arch: the ability to leverage innovation is facilitated by an efficient balance between centralization and localization – extremes of either inhibit the dispersion of innovations – the *Effectiveness Arch*.

- Companies too far out on the centralization/decentralization scale are ineffective at disseminating best practices:
  - If too centralized, then innovations gets stuck at the center,
  - If too localized, then innovations get lost at the periphery.

- Striking the right balance on the efficiency scale facilitates climbing the leveraging scale and reaching optimal effectiveness – the *Magic Middle* – the *Transnational* organization.

Efficiency Innovation Model (EIM)
"Effectiveness Arch" and "Magic Middle"
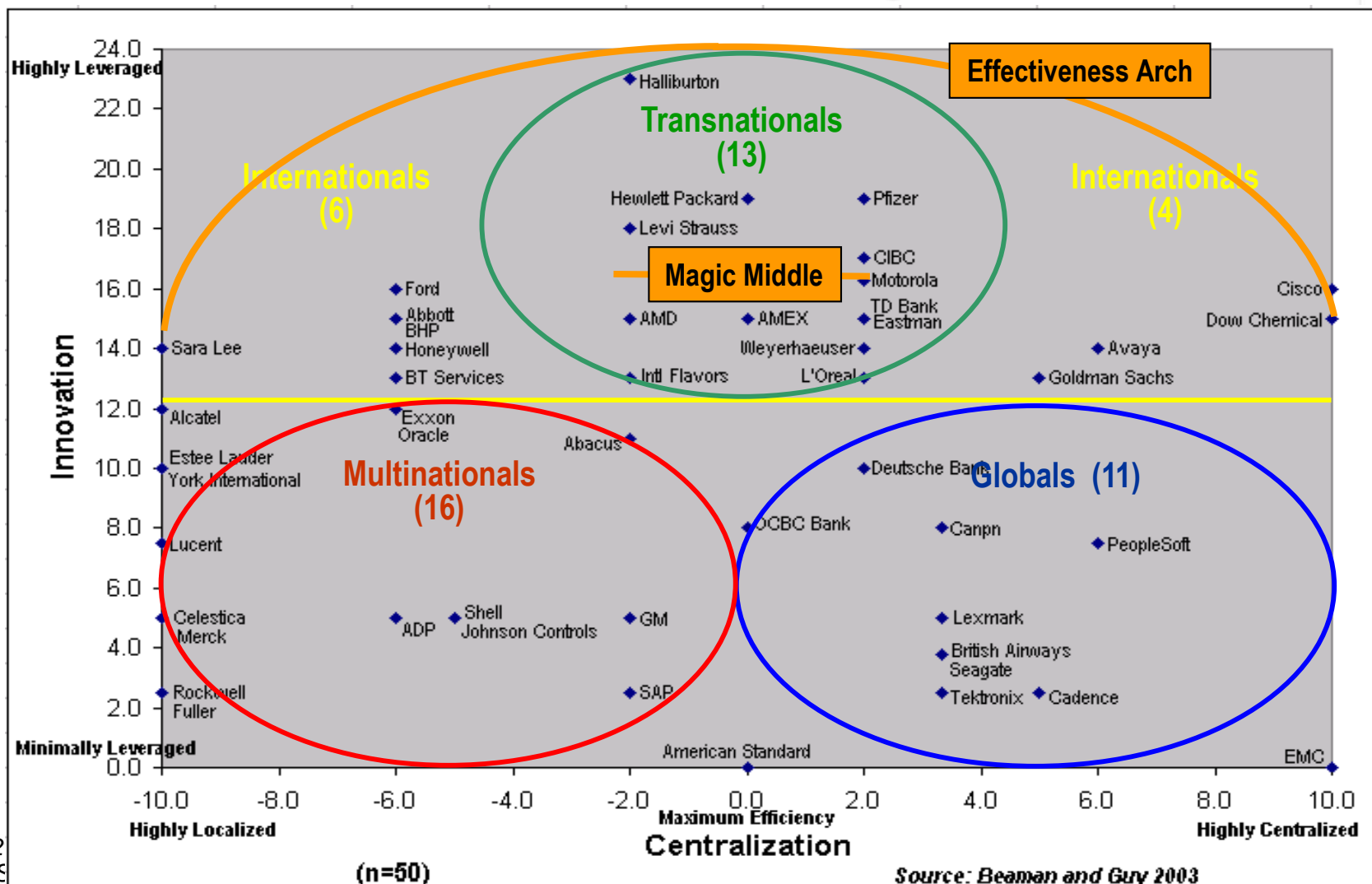
Efficiency Innovation Model (EIM)
Optimal Efficiency

- Maximum *Efficiency* is obtained at 0 on the EIM scale; +3 is considered optimal.

- On average, *Internationals* and *Transnationals* demonstrate optimal efficiency – even the *Globals* are within acceptable range.

- -1.0 average *Efficiency* for all participants shows a pretty effective group!

		Average Efficiency
Multinationals	16	-7.1
Globals	11	3.6
Internationals	10	-0.9
Transnationals	13	0.5
Total	50	-1.0

Centralization/Decentralization Factors
1. HR Systems (one or many)
2. Single Data Repository
3. R&D Centralized or Decentralized
4. Variation in HR Policies across countries
5. Financial Goal Setting (globally, locally, by line of business)

Efficiency Innovation Model (EIM)
Maximum Innovation

- Maximum *Innovation* is achieved through the effective dissemination of best practices; a score >12 on the EIM scale.

- Average *Innovation* among all organizational types shows a linear progression: from *Multinational* and *Global* to *International* and *Transnational*.

- Although below optimal, 10.6 average *Innovation* for all participants shows a pretty innovative group!

		Average Innovation
Multinationals	16	7.0
Globals	11	4.6
Internationals	10	14.5
Transnationals	13	16.3
Total	50	10.6

Best Practice Adoption Factors
1. Regional HR involvement in Business Planning
2. Local HR involvement in Business Planning
3. Acceptance of Line Management innovations
4. Frequency of HR Meetings
5. Adoption of Best Practices from Local operations

Efficiency Innovation Model (EIM)
Organizational Development Curve Revisited

- Organizational Evolution (y-axis)
- Time (x-axis)
- Transnational Stage
- International Stage
- Global Stage
- Multinational Stage
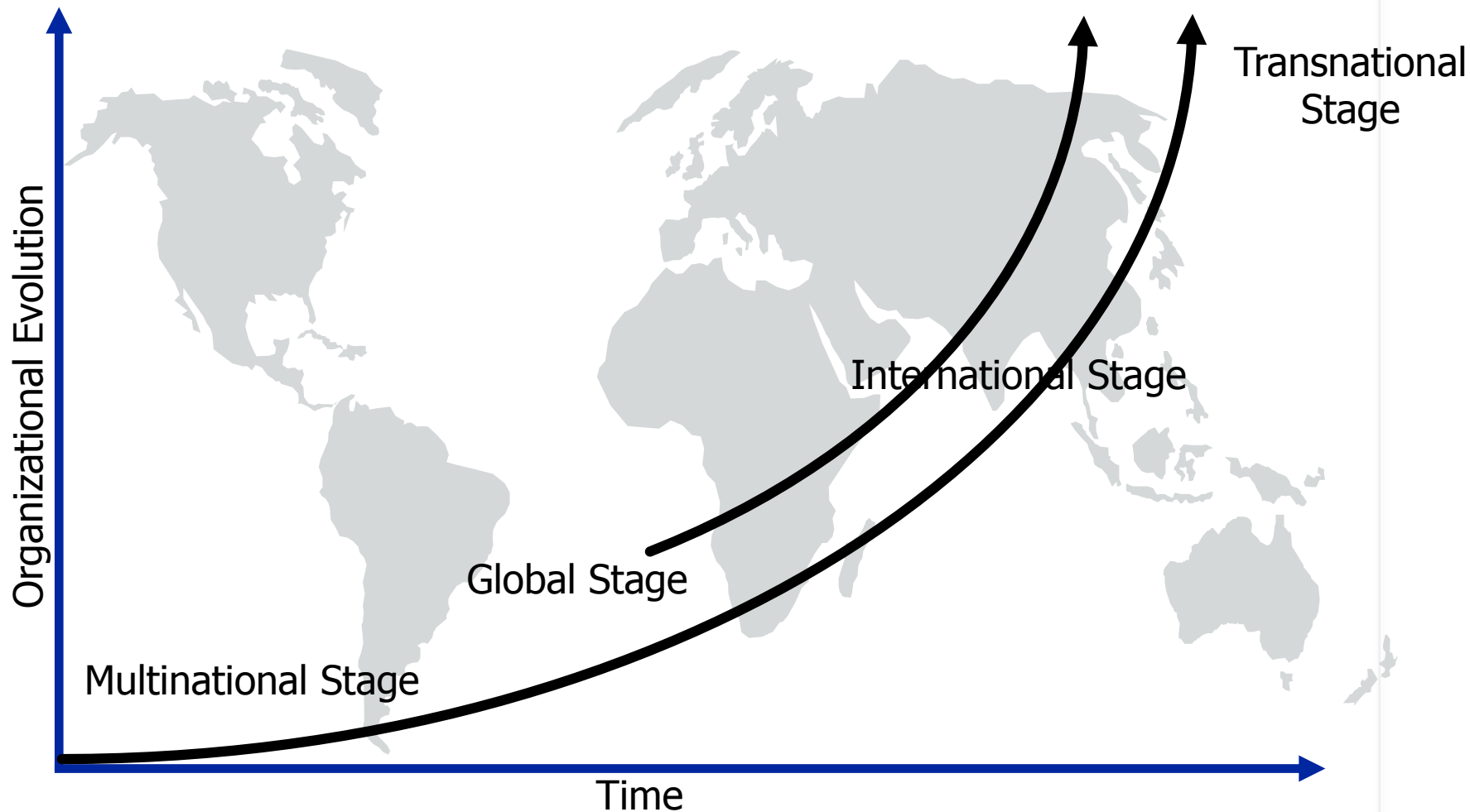
Efficiency Innovation Model (EIM)
Identifying Best Practices

■ **Shared Service Centers**

- 100% of *Internationals* and 70% of *Transnationals* have Shared Service Centers – either regionally or globally.

- *Transnationals* appear to be rightsizing, moving back to the center, away from a too heavy reliance on centralized processing.

- We see a progression in employing Shared Services as organizations move from *Multinational* to the *International* and *Transnational* stages.

Shared Service Centers	Count	Have Global SSC		Have Region SSC		Have Either SSC		Have Both SSCs	
		Count	Percent	Count	Percent	Count	Percent	Count	Percent
Multinationals	7	3	42.9%	1	14.3%	3	42.9%	1	14.3%
Globals	5	1	20.0%	3	60.0%	2	40.0%	2	40.0%
Internationals	8	5	62.5%	5	62.5%	8	100.0%	3	37.5%
Transnationals	10	6	60.0%	6	60.0%	7	70.0%	4	40.0%
Total	30	15	50.0%	15	50.0%	20	66.7%	10	33.3%

Note: n=30; 20 respondents didn't answer the question.

Efficiency Innovation Model (EIM)
Identifying Best Practices

- **Shared Service Centers**
  - While 80% the *Internationals* have Shared Service Centers, only half of them (40%) think they <u>should</u> have them!
  - Assuming these SSC's are effective, our hypothesis is that the *International* stage is a transitory stage – one with redundant processes until the organization has rationalized and right-sized.

Shared Service Centers	Count	Have an SSC		Should Have (>2)	
		Count	Percent	Count	Percent
Multinationals	7	3	42.9%	5	71.4%
Globals	5	2	40.0%	5	100.0%
Internationals	8	8	100.0%	4	50.0%
Transnationals	10	7	70.0%	8	80.0% ←**Right-sized!!**
Total	30	20	66.7%	22	73.3%

Note: n=30; 20 respondents didn't answer the question.

Summary of Survey Findings

- Leading organizations are seeking to find the right balance between "centralization" for effective control and "responsiveness" to local needs, while leveraging "innovation" and encouraging worldwide learning.

- Optimally centralized companies have a single data repository, centralized R&D, and set goals by line of business.

- Highly innovative companies have monthly HR meetings, involve local and regional HR in business planning efforts, and incorporate innovations from line management.

- Shared Service Centers are one component that can be used to help organizations "rightsize" their operations and meet the challenges of the paradox.

- The *Efficiency Innovation Model* can be an effective tool for measuring the progress organizations are making in their organizational development… but there is more work to be done.

Survey Next Steps

■ Expand the number of survey respondents (the count is still small and some data are missing).

■ Improve the distribution of respondents across more countries, various industries, and organizational size.

■ Refine the questionnaire, streamlining/simplifying/clarifying questions.

■ Refine the parameters in the Beaman Guy *Efficiency Innovation Model* and test for validity.

■ Perform more detailed analyses (correlations, regressions, with tests for statistical significance) to uncover best practices in *Transnational* organizations.

Conclusions

- **There are two broad, continuing trends in workplace:**
  - accelerating change
  - growing complexity

- **The *Transnational* model is designed:**
  - to respond effectively to change and complexity
  - to control costs through optimal centralization
  - to foster and disperse innovation through maximal leveraging of best practices from wherever they evolve
  - to right-size the organization by finding an effective balance between global efficiency and local responsiveness, while leveraging a worldwide learning capability

Cultivating a Transnational Environment
Define Responsibilities Clearly

- Don't assign joint responsibility for everything.

- Focus on defining clear lines of authority and clearly allocating responsibilities; avoid overlap

- Recognize that some decisions should be global, others regional, and others local

- Generally ensure that decisions are taken at the lowest level possible

- Decide task by task, even decision by decision, where issues should be managed

Cultivating a Transnational Environment
Build Effective Communication Methods

- Assure effective and frequent communication across the organization by putting in place formal methods and tools

- Hold annual company conferences bringing people together across the organization to work issues

- Set up regular strategic "theme" meetings targeted to specific topics and audiences

- Empower ad hoc development committees

- Make extensive use of new technologies for tele-, video-, and web-conferencing

- Foster communities of practices and build knowledge bases to facilitate effective collaboration across space and time

Cultivating a Transnational Environment
Cultivate a Shift in Mindset

- Cultivate a shift in mindset throughout the organization – from one of "controlling a hierarchy" to one of "managing a network" of interconnected parts/activities

- Put emphasis on socializing individuals into the transnational business culture

- Build a "management mindset" that
  - understands the need for multiple strategic capabilities,
  - looks at problems and opportunities from the global, regional, and local perspectives, and
  - interacts with others with openness, alertness and agility

Cultivating a Transnational Environment
Embrace and Exploit the Paradox

■ The fundamental learning is that no organization can succeed today with a relatively uni-dimensional strategy – emphasizing only efficiency or primarily responsiveness or leveraging just parent company capabilities.

■ To be competitive, we have to achieve all three goals at the same time:

- become globally efficient,
- be locally responsive, and
- leverage worldwide innovation and learning.

A Final Parting Thought…

"If one is to properly understand events and to influence the future, it is essential to master four ways of looking at things: as they were, as they are, as they might become, and as they ought to be."

Dee Hock, Founder/Chairman Emeritus VISA

Merci   Obrigada   Ευχαριστω
Dankeschön   Kiitos   Tack
Gracias   Dank u   Grazie
Tesekkür ederim   Takk
Terimah Kasih   Krop Kuhn Kah
Arigato   Asante Sana
Go Raibh Maith Agat   Thank You!

谢
谢

For more information, contact:
karen_beaman@adp.com
www.adp.com/global

Survey Participants…

We're looking for participants for our survey!

If you're interested, please complete
a form and return it to:

Dr. Charles H. Fay

Professor of Human Resources / Chairman, HRM Department

School of Management and Labor Relations

Room 216 B - Janice H. Levin Building

94 Rockafeller Road, Livingston Campus

Rutgers, The State University of New Jersey

Piscataway, NJ 08854-2830   USA

Voice: +1.732.445.5831 / Fax: +1.732.445.2830

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