Leveraging HR Technology: From Global Savings to Transnational Value

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Introduction

This article is a collaborative effort between CedarCrestone and Jeitosa Group International to look at the role of Human Resources (HR) technologies and the value achieved by different types of global organizations. Specifically, this article evaluates different global organizational models and some of their key characteristics, such as their strategy, service delivery structures, HR application adoption and the value achieved.[1]

As a result of our many years working with all types of global organizations (Multinational, Global, International, and Transnational), we wanted to explore the effectiveness of HR technologies across different organizational models – from the highly centralized to the highly decentralized organization, from the highly innovative to the highly collaborative organization. We wanted to test our assumptions that based on their overall mission, vision, culture and strategic direction, different organization types leverage technology differently and, hence, achieve different value. Our hypotheses are that highly centralized organizations focus on achieving efficiency with their HR technology adoption. Highly decentralized ones promote flexibility and responsiveness to local market situations. Highly collaborative and innovative organizations cultivate learning and sharing environments across their diverse and disparate global operations.

Our hypotheses were confirmed. While we are not suggesting causality, we will show strong linkage between HR technology adoption and efficiency, learning and financial growth. As our analysis of HR strategies and HR technology adoption across four different organizational models shows: *Multinationals support local operations, Globals save money, Internationals develop people, and Transnationals make money.*

We start by first describing a framework for categorizing different global organization models. We then discuss the results of our analysis of HR technology adoption with 187 global organizations across four organization types drawn from the CedarCrestone 2008 survey data. Our findings shed some light on how different organization models adopt HR technology and highlight the different value achieved by each type. In conclusion, we present some best practice recommendations for organizations to consider as they evolve in their globalization journey.
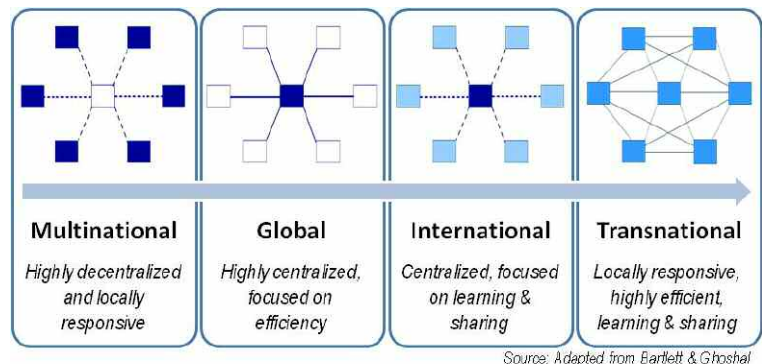

Figure 1. Global Organizational Models and Evolution.

Global Organizational Types

The ground-breaking work by Christopher Bartlett and Sumantra Ghoshal (1998), recognized as leading scholars on global strategy and organization design, provide the framework for our analysis of different global organizational types.[2] Bartlett and Ghoshal's typology addresses the challenges associated with developing strategies, designing organizational structures, and managing operations of organizations with activities that stretch across national borders. They distinguish among four different types of global organizational models as depicted in Figure 1, which depicts an evolutionary progression as organizations mature in their globalization journey.[3]

Multinationals

The *Multinational* organizational model is one that is highly decentralized – all power, control, and operations reside in the local business units, and the role of

corporate is primarily one of financial consolidation. Often called "multi-local," this type of organization consists of independent business units, tied together primarily through legal and financial reporting requirements. Human Resources technology in a Multinational is largely decentralized with the only centralized or shared effort being a global corporate data warehouse at best.

Globals

The *Global* organizational model is the inverse of the Multinational; it is highly centralized with all power, control, and operational management residing at corporate and with local business units serving primarily as pipelines to the local market. Human Resources technology in a Global organization is generally centralized, often managed through a single enterprise resource planning (ERP) system and often reporting into the chief information officer (CIO). New initiatives, innovations, and operational controls are primarily driven through the centralized HR technology organization.

Internationals

The *International* organizational model is one that takes a more balanced approach between centralization and decentralization. A key characteristic of this organizational model is that it seeks to understand the needs of its local business units and to share and leverage best practices across the organization. Generally, HR technology in an International organization has either a centralized or regionalized ERP system with multiple, local, best-in-class satellite systems for various functions such as recruiting, training, learning and performance management.

Transnationals

In today's global, mobile, virtual, digital, multi-cultural world, the centralized and decentralized approaches are both right and wrong. Thus, a hybrid approach – the *Transnational* organization model – has emerged as highly effective for the modern, innovative, collaborative organization. Human Resources technology in the Transnational is distributed with different parts of the organization performing the roles they are best suited for based on their specific competencies and capacity. For example, core HR may be managed globally from San Francisco providing one worldwide system of record for the employee population; recruiting may be implemented and managed regionally, such as by the UK operations supporting Europe and by Singapore supporting Asia Pacific; workforce planning may be implemented globally while managed out of the organization's service center in Bangalore; and, finally, payroll may be managed locally by each individual business unit. Function-by-function, system-by-system, the business group in the best position based on infrastructure, competencies, capacity, etc., is the best one to manage that function for the organization.

Between 2000 and 2008, several individual research efforts were conducted by Beaman and Guy to apply Bartlett and Ghoshal's typology to HR organizations and to HR technology with some significant findings.[4] These preliminary studies confirmed the Bartlett and Ghoshal typology for global HR. All three studies showed that Multinationals tended to have highly localized and fragmented HR systems, while Globals had implemented a single ERP system to support their core HR functions. The 2002 study showed that Transnationals, more than the other three models, were two and a half times more likely to outsource key HR functions and 30 percent more likely to leverage shared service delivery models in order to better support their worldwide organization. With these findings in mind, the present study seeks to apply the Bartlett and Ghoshal global organizational framework to a larger set of organizations and a broader set of HR technologies with the goal of uncovering key strategies and leading practices that can best support today's modern HR organization in their globalization journey and lead to value.

About the CedarCrestone HR Systems Survey

CedarCrestone has conducted a survey for the past 12 years that analyzes adoption trends of HR technologies and the results achieved from their use. The most recent survey (published October, 2008) of 828 organizations provides an excellent source of data across numerous industries and organization sizes.[5] Fifty-five percent of the survey respondents reported they are "global" meaning

that they have operations in multiple countries. To explore HR technology use and the value achieved by different global organization types, CedarCrestone added the following question to its 2008 survey:

As a global organization, please classify your organizational model by selecting one of the following:

Multinational: Focused on flexibility and local responsiveness. The organization is highly decentralized with multiple, independent locations, united primarily through financial reporting.

Global: Focused on centralization and efficiency. The organization is highly centralized and standardized, with major decisions made at corporate and then rolled out to local operations.

International: Focused on learning and sharing. The organization is moderately centralized, leveraging competencies and sharing learning from both corporate and local operations.

Transnational: Focused on efficiency, flexibility, and learning. The organization combines aspects of the other three models, leveraging efficiencies, maintaining flexibilities, and sharing learning and innovations worldwide.

From the 828 survey respondents, 187 answered this question (see Figure 2). The largest group represented is the Globals (38%) – those focused on centralization and efficiency – which is not surprising considering the current global economic climate and the singular focus on reducing costs.

When this same question was asked in prior studies (2000 and 2002), Globals represented only a quarter of the organizations surveyed. This extraordinary growth of the Global model is at the expense of the Multinational and Transnational models, both of which show significant reductions from our prior research. The impact of the current economic climate is clearly pushing more organizations to centralize their administration and standardize their processes, thereby gaining efficiencies and cost savings in their HR operations and technology infrastructure.

Figure 2. Global Organization Types and Avg Employee Size.
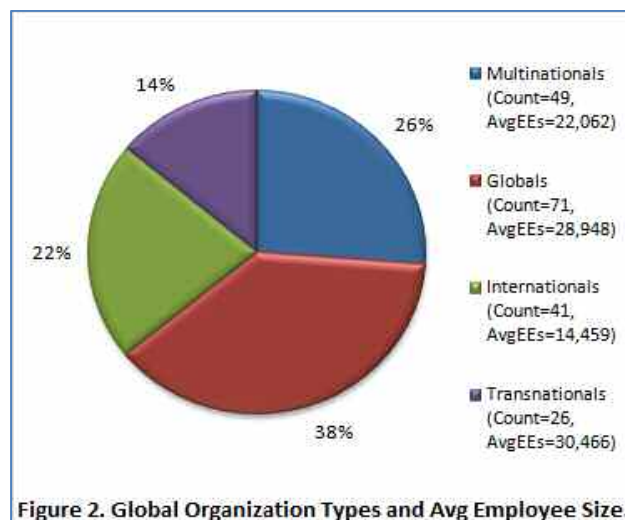
Global Organization Type Characteristics

In this section, we turn our analysis of global organizations to the relationship between different types of global organization structures and their overall strategy (profit, growth, or sustainability), including the strategic role of HR. We also look at the level of standardization of HR recordkeeping, data management, and HR business processes (from common data and processes to highly diverse).

> *The strategic choice to focus on growth or profit confirms the Bartlett and Ghoshal typology and our hypotheses regarding organizational type.*

Organization Strategy

We asked survey respondents to characterize their organization strategy as one of growth, profit or sustainability. All four organization types report growth orientation most frequently, but there are some "true-to-type" variations based on each of the four global organization models (see Figure 3).

Transnationals and Internationals most frequently report their organizational strategy as having a "growth orientation" (see Figure 3). Of all four organizational models, 82% of Transnationals (versus 62% on average for the other three models) focus on growth much more than on profit or sustainability. According to Bartlett and Ghoshal, the Transnational model, with its focus on balancing both corporate and local business unit needs while leveraging worldwide learnings and innovation, helps to better position the organization for overall growth. Similarly, the International model with its strong focus on sharing worldwide learnings also helps to position this organization model for greater growth.

Globals and Multinationals put a much stronger focus on profit than the other models (see Figure 3). In fact, the Globals (33%) and Multinationals (32%) put over five times greater focus on profit than the Transnationals do (6%)! As we will see below, these different organizational goals – profit versus growth – are consistent with the adoption of HR technology applications employed in support of these goals.

The strategic choice to focus on growth or profit confirms the Bartlett and Ghoshal typology and our hypotheses regarding organizational type. Multinationals and Globals are primarily looking to drive profit, either by centralizing data and processes to gain efficiencies and savings or by exploiting the local business environment leveraging local competencies and pipelines. On the other hand, Internationals and Transnationals focus on driving growth by sharing learnings across the organization with the goal of creating a high-performing culture that is growing, sharing, and competing for excellence. As we will see from our analysis, HR technology adoption strategies follow this pattern.
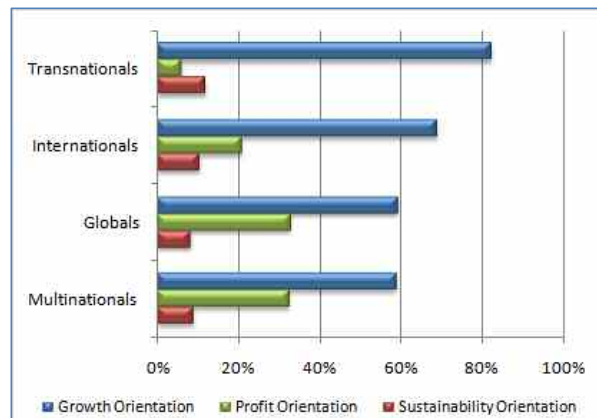

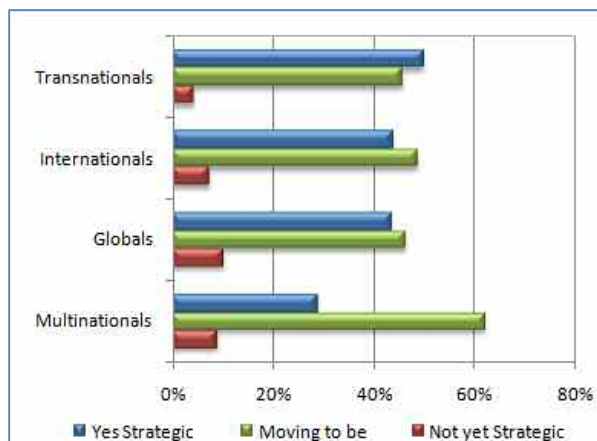
Figure 3. Strategic Orientation and Organization Type.

Figure 4. HR Strategic Partner Role and Organization Type.

> *Internationals – Human Resources strategies represent work using competencies and performance management.*

The Global HR Function as Strategic Partner

Following are some examples of what respondents to the CedarCrestone HR Systems Survey from different organization types say about how their HR function is considered to be a strategic partner.

Multinationals – Human Resources strategies are focused on acquisitions, planning, and reporting.
- Human Resources enables all acquisitions and consolidations and is brought in at the planning stages.
- Strong emphasis on talent management and workforce planning. Human Resources within each division provides Human Capital Action Plans that have impacts on the bottom line.
- Working with Executive Team on corporate objective of enabling transparency of reporting throughout the organization.

Globals – Human Resources strategies are focused on planning and HR activities for the entire organization.
- When considering an acquisition, business leaders seek input from corporate HR before talks start.
- We are currently conducting a corporate-wide compensation study so that we can integrate all of our jobs and pay practices into one cohesive structure to support our multiple lines of business and growth through mergers and acquisitions.
- We create the HRIT strategy for all global business units.

Internationals – Human Resources strategies represent work using competencies and performance management.
- Just moved to global competencies for all executive, leadership and salaried employees. These will be used for a global performance management process, including bonus payments.
- The Board of Directors has as one of its top three priorities to ensure succession plans for the key roles within the company.
- Implemented core competencies to align business objectives and installed a hosted performance management system with 100% compliance … and with reports allowing directors and executives to understand their organizations' performance levels.

Transnationals – Human Resources strategies emphasize wide involvement in workforce activities focused on growth.
- Human Resources function is involved in the strategic planning and vision at corporate and within the division operations. We are involved in identifying the people impacts of all strategic plans.
- Company's growth rate is 22%-33% annum for the last five years; all recognize that strategic staffing is critical to business needs and HR is highly involved.
- With our projected growth plans we need to recruit over 200,000 new employees in the next three years. Human Resources is consequently seen as highly strategic as our plans depend on us having a successful global resourcing strategy.
- Lead work on early retirement program to support workforce reduction needs identified through comprehensive workforce planning exercise.

Human Resources Strategic Role

One area where we can evaluate the value that HR and HR technology are bringing to the organization is to look at how the various organizations view the role of HR: as strategic, moving to be strategic or not strategic at all.

Human Resources in a Multinational organization is not viewed as strategic as it is in other organization types (see Figure 4). The other organizational models are almost 40% more likely to view themselves as strategic. Transnationals (46%),

followed by Internationals (44%), followed by Globals (42%) are all more likely to view their HR function as being strategic or moving in that direction. The challenge of the Multinational in trying to tie together a highly decentralized organization – the "multi-local" organization – with a common HR strategy can be likened to the efforts in the Middle Ages of trying to unite warlords and fiefdoms: you may be successful, but it will certainly be painful and most likely also quite bloody.
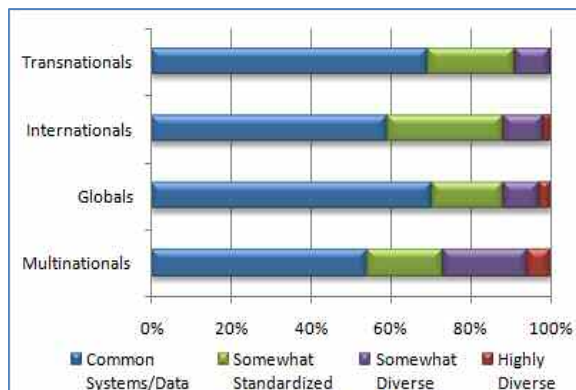

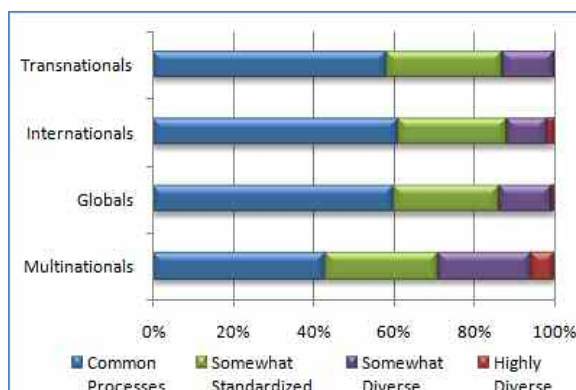Figure 5. Data/Systems Standardization and Organizational Type.

Figure 6. Process Standardization and Organizational Type.

Data and Process Standardization

The CedarCrestone HR Systems Survey asks two questions requesting respondents to characterize, first, the level of standardization they have achieved with their core HR record keeping system and data and, second, the level of standardization of their HR processes. In each case, response options range from common across all operations and countries, to somewhat standardized, to somewhat diverse, to highly diverse. The degree of standardization across systems, data, and processes is an indication of the maturity of a global organization.

Globals and Transnationals are more standardized in their systems and data than the other organization types (see Figure 5). Multinationals demonstrate less standardized processes for HR recordkeeping and data management (54% versus 66% average of the other types). At the other end of the spectrum, Globals and Transnationals are more inclined to report that "common HR data is collected and maintained across all business units, regions or countries" (70% and 69%, respectively).

Multinationals are the least standardized in their business processes than the other organization types (see Figure 6). Globals, Internationals, and Transnationals as a group report an average 60% adoption of common processes, compared to just 43% for Multinationals. Common processes are defined as "many HR processes such as workforce administration, record keeping, and compensation are common across all business units, regions or countries. We are also already doing or planning to make recruiting a standardized process."

Transnationals take a hybrid approach to process standardization (see Figure 6). Transnationals more frequently show a profile of slightly standardized processes (29% versus 27% average for the other organization types). In both of our consulting work, this hybrid focus on standardization and diversity is one we see among learning organizations that have found that rigid adherence to rules and processes do not support innovation and growth, hence a more balanced approach to standardization in a global environment is appropriate. What is important in an effective worldwide organization is the right amount of standardization – and of the right things. A useful axiom that Transnationals seek to master when standardizing various functions and processes within HR is to be "as global as possible, as local as necessary."
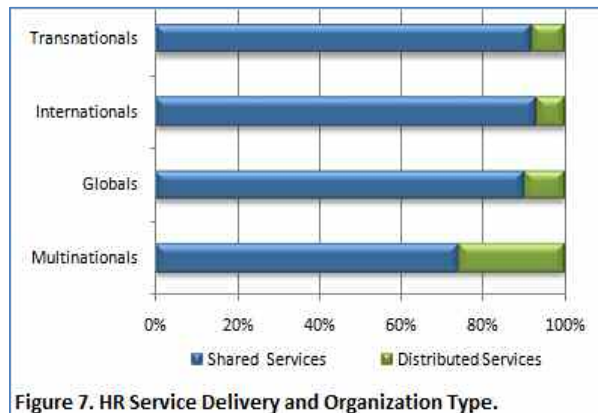

Figure 7. HR Service Delivery and Organization Type.

Service Delivery Structure

From our own experiences, from other industry research, and from a review of survey responses, we see an evolution of large, global organizations towards the shared service delivery approach. All organization types report shared services as the dominant service delivery approach, with Multinationals being significantly different. Globals, Internationals, and Transnationals use the shared services model over 90% of the time.

Multinationals exhibit greater distributed HR service delivery (see Figure 7). Multinationals do show significant awareness of the benefits to be achieved through shared services, as three-quarters (74%) do have some type of shared delivery, just not as strongly as the other types. Because of their decentralized nature, we would expect more distributed services with Multinationals (26% versus an average of 8% for the other three types).

Human Resources Technology Adoption

The CedarCrestone HR Systems Survey tracks close to 40 applications.[6] For this research, we focus on the application adoption of three categories – Service Delivery, Talent Management and Business Intelligence (BI) – that show significant variation according to the four global organizational models. We do not discuss core HR application adoption since it is mature and uniformly adopted across all organizational types. The following sections describe each of these categories and evaluate the level of technology adoption within each of the four global organizational models.

Multinationals demonstrate the lowest adoption rate of all technology applications as compared to other organization types (see Figures 8 and 9). They have, on average, 14 of the 36 applications covered in the survey, showing a 38% adoption rate versus a 45% average adoption for the other three organizational types. Given their distributed nature, it is likely that Multinationals actually have more applications that are managed locally. From our individual consulting work with numerous global organizations over the years, we know that there are many applications that are local to specific countries or business units and hence are often unknown to corporate headquarters, who is the more frequent respondent to this survey.

Because Service Delivery is automated, HR does not need to focus on basic service delivery; hence, they have time to devote to becoming a more strategic business partner.

Globals exhibit greater than average adoption of all HR applications (see Figures 8 and 9). On average, Globals have 17 of the 36 applications surveyed and lead the other organizations by 13% (48% versus 42% for the other three types) in their adoption of HR Service Delivery, Talent Management, and BI applications. In fact, with the exception of core HR and Service Delivery applications for the Transnationals, Globals use more HR applications than all of the other organization types. As we saw in Figures 5 and 6, Globals also more frequently have common data and standardized processes. We interpret this as Globals choosing to automate their processes so they have better oversight and control over what is happening throughout the organization. Also, it is important to note that Globals use BI applications more heavily (30% versus an average of 25% for the other three models), demonstrating that they are focused on "the numbers" and "manage with metrics."

Figure 8. Number of Applications in Use by Organization Type.

Figure 9. Percent of Applications in Use by Organization Type.
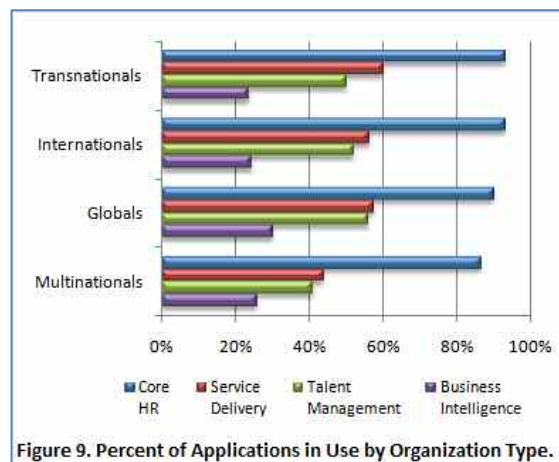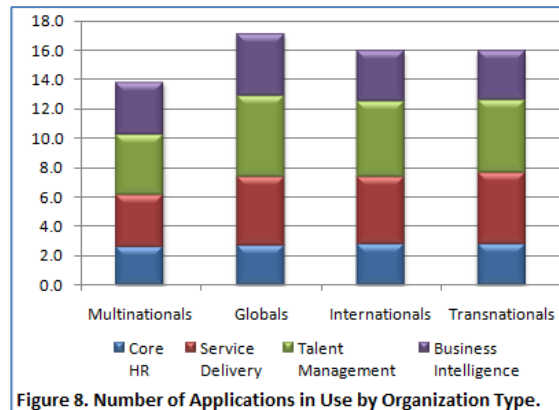
Service Delivery Application Adoption

CedarCrestone tracks eight service delivery applications from employee and manager self-service applications to an HR-oriented help desk (Figure 8 shows the number of applications in use by organization type). Specifically, the Service Delivery Application category includes employee self-service, such as address changes, benefits self-service, online total benefit/compensation statements, pay-related self-service, time and absence management self-service; manager self-service, such as promotions and transfers, and help desk automation of call tracking and case management. The overall average number of the Service Delivery applications in use is 4.4 (out of 8 applications for over 50% use).

Multinationals report the lowest use of Service Delivery applications (see Figure 9). They use the fewest applications (3.5), whereas the other three models, led by Transnationals (4.8), all use more. We surmise that service delivery in a Multinational is primarily face-to-face and high-touch.

Transnationals make the greatest use of Service Delivery applications, enabling HR to be more strategic (see Figure 9). Because Service Delivery is automated,

With Talent Management technology adoption, we see "true-to-type" behavior.

HR does not need to focus on basic service delivery; hence, they have time to devote to becoming a more strategic business partner.

Talent Management Application Adoption

CedarCrestone tracks a number of strategically-focused human capital management (HCM) applications – now popularly known as talent management applications – that enable organizations to plan, acquire, develop and retain talent. These talent management applications include workforce planning, recruiting, and a number of "develop" and "retain" solutions. The develop solutions include learning management, e-learning, training enrollment, career development and competency management. The *retain* solutions include performance management, succession planning, career development and compensation management. The overall average number of Talent Management applications in use among global organizations is 5.0 (out of 10.0 for 50% – see Figure 10).

With Talent Management technology adoption, we see "true-to-type" behavior. As we saw earlier, Multinationals have the lowest overall HR technology adoption (38%), whereas Globals have the greatest (48% – see Figure 9). Internationals have adopted the develop solutions (71%) significantly more than the other organization models (see Figure 10).
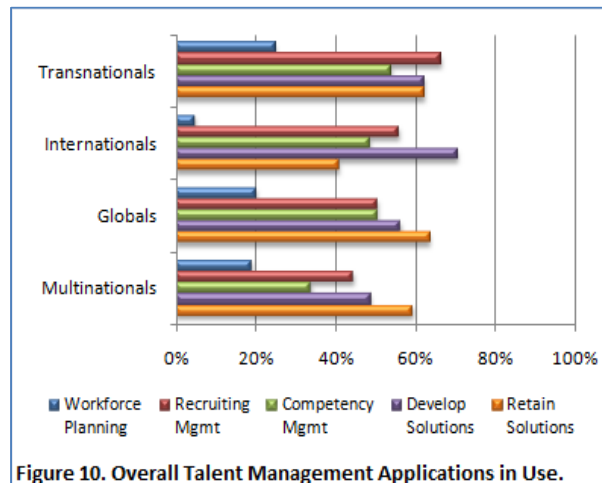

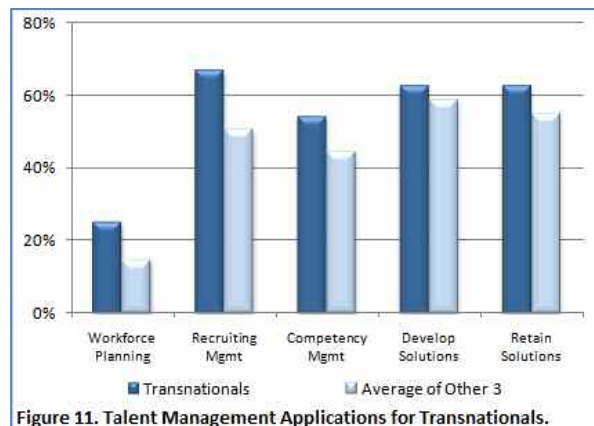Figure 10. Overall Talent Management Applications in Use.

Figure 11. Talent Management Applications for Transnationals.

Transnationals place a greater focus on recruiting, competency management, and workforce planning applications (see Figure 11). Transnationals show the greatest overall adoption of all Talent Management applications (54% versus an average of 45% for the other three models). Transnationals' adoption of recruiting (67% versus an average of 51% for the other three types), competency management (54% versus 45%), and workforce planning applications (25% versus 15%) show a strong focus on growing and managing their workforce effectively – from planning to hiring and staffing – across a dispersed, federated organization. Com-

petency and workforce planning applications are the enablers that allow Transnationals to focus on growth, leveraging the right skills for the right activity at the right time, no matter where they might be across the globe.

Internationals are the most aggressive adopters of the develop category of applications (see Figure 12). With their focus on learning and sharing, Internationals show strong adoption of applications such as training administration, e-learning (content), learning management systems (LMS), and competency management (71% versus an average of 56% for the other three types). The develop applications are the ones that allow the internationals to share knowledge and benefit from worldwide learning and innovations.

Internationals are the lowest adopters of retain solutions and workforce planning applications (see Figure 12). Over the years of conducting the survey, we have seen organizations follow a common path in application adoption.[7] Organizations focused on growth adopted recruiting solutions followed by performance management automation, whereas those focused on profit and sustainability adopted the cluster of applications that enable workforce development, ensuring that they are developing the right competencies. Due to budget and time constraints, their attention has not yet turned to applications that enable retention or future workforce planning.
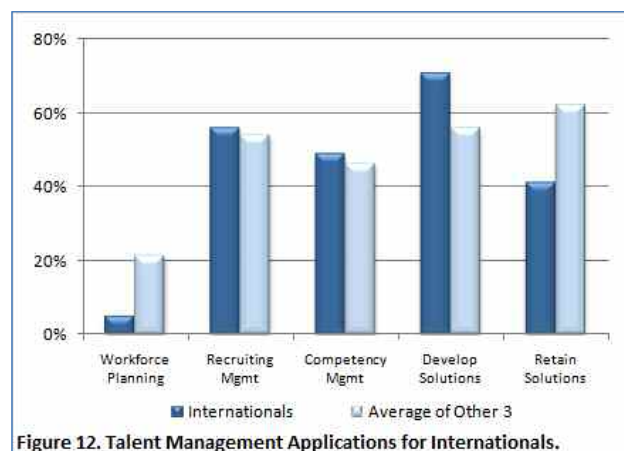

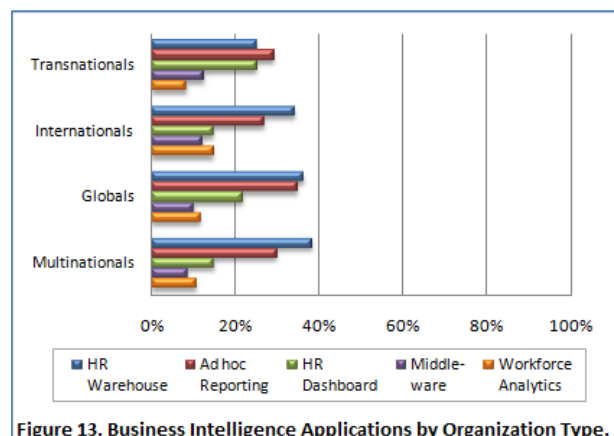Figure 12. Talent Management Applications for Internationals.

Figure 13. Business Intelligence Applications by Organization Type.

Business Intelligence Application Adoption

Each organization type focuses on different BI tools to support its business strategy (see Figure 13). CedarCrestone tracks adoption levels of 14 BI applications. An ongoing series of reports on metrics and analytics[8] discusses the usage of four key components necessary to build a robust business intelligence capability that enables metrics-based management. These four components are:

1. **Repository** to offload reporting from core HR record keeping systems. This is most frequently a warehouse, either an enterprise warehouse that con-

tains workforce data or a warehouse that is fine-tuned specifically for HR data;

2. **Reporting and dashboard** mechanisms including simple management reporting or that may include ad hoc or multidimensional reporting (enabling drill down for analysis) along with dashboards and scorecards;
3. **Middleware** technologies that enables an organization to bring together data from multiple sources and to then present these data in the form of metrics through multiple reporting mechanisms; and,
4. **Analytics** that enable an organization to truly analyze trends or even predict outcomes based on metrics.

*Multinationals are more likely to have adopted an **HR data warehouse.*** Organizations that are highly decentralized, focused on the local environment, and integrated primarily through financial reporting needs, are the ones that need a way to bring together information on the workforce from their various entities and diverse systems, and a global data warehouse provides an optimal solution. In this way, each entity can continue to be responsive to the local market situation, yet still satisfy the reporting needs of headquarters by providing HR information that can be consolidated and used for analytics, much like their financial reporting. We point out an interesting reduction in the reliance on an HR data warehouse as organizations evolve from Multinational to Global to International to Transnational (from 38% to 36% to 25% in Figure 13). First, we believe that Multinationals have to have a central repository for consolidated reporting, which is probably why their adoption is the highest, whereas the other organization types can use their consolidated ERP for reporting needs. Secondly, as we will show below, the other organizational models tend to focus on different types of BI applications and may not have yet implemented a data warehouse.

Globals are the greatest users of ad hoc reporting tools (35% versus an average of 29% for the other three types), further underscoring their approach of managing via metrics with their awareness of the importance of being able to drill down into the data to seek the relationships behind the numbers.

Internationals are the greatest users of workforce analytics (15% versus an average of 10% for the other three types). We hypothesize that these "learning organizations" are currently focused on analyzing the impact and value of learning and development activities on the workforce.

*Transnationals are the greatest users of **HR** dashboards* (25% versus an average of 17% for the other three types), indicating attention towards managing HR more effectively with process metrics, which is often how organizations begin to move towards more metrics-based management.

Use of middleware applications shows a "true-to-type" progression as organizations mature in their global development: Multinationals (9 %), Globals (10%), Internationals (12%), and Transnationals (13%). We believe that, ultimately, organizations will mature in their use of middleware technology to enable bringing together data from the many disparate sources that sophisticated organizations use in order to support true, "institutionalized" BI and metrics-based management across a distributed, worldwide organization.

Value of HR Technology

We look at two aspects of value of HR technology adoption: 1) The ability for organizations to achieve efficiency through automation with presumably lower total costs of operations because fewer administrative personnel are needed and, at the same time, even freeing employees and managers from administrative tasks to focus on other more strategic tasks such as sales or product development; 2) The linkage between HR technology adoption and financial performance, with the idea being that if talent is managed as a strategic resource, talent will then support the growth of revenue and sales.

Efficiency Impact

Service Delivery Applications Impact

Service Delivery applications enable an organization to better serve the workforce more cost effectively. They allow an organization to deliver services, primarily transactional in nature, such as open enrollment or electronic pay notification

or to support a manager through a promotion process. Countless custom and industry ROI studies over the past 10 years by CedarCrestone show that time is saved by HR administration and HR specialists in performing this support when technologies are introduced effectively. In many organizations, this can translate to the need for fewer of these HR resources. Further, even managers and employees spend less time conducting these transactions with self-service technologies, time which ideally can be used for other value-creating activities, such as business development.[10]

Over the years, CedarCrestone has seen that the total number of HR employees, primarily those doing HR administration tasks, can be reduced – typically by an average of 25% – when appropriate technologies are introduced. We have also seen that when organizations move to a service center approach supported by call center technologies along with self-service applications, they are able to decrease HR administration tasks dramatically. Best practice firms are often able to serve twice as many employees with call center and self-service technologies, along with a move to a service center and the associated streamlining of HR processes.[11]

Globals serve the greatest number of employees (see Figure 14). Global organizations are able to serve the most employees with their HR staff – 17% more (109 employees are served by Globals versus an average of 91 for the other three types) – enabling them to run a leaner HR service delivery support structure at the lowest cost. As we have already seen, this ability to serve a larger employee population is enabled through a shared services service delivery structure, common HR record keeping and data, and common standardized processes, as well as service delivery automation.
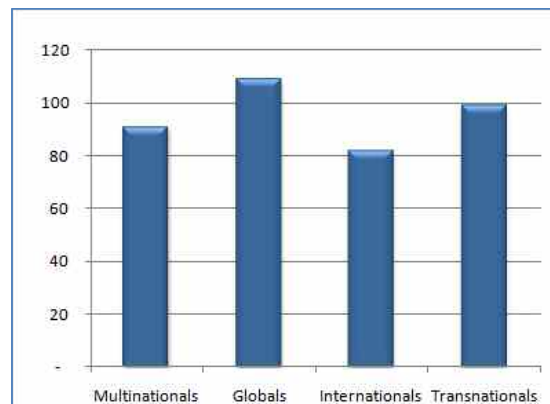

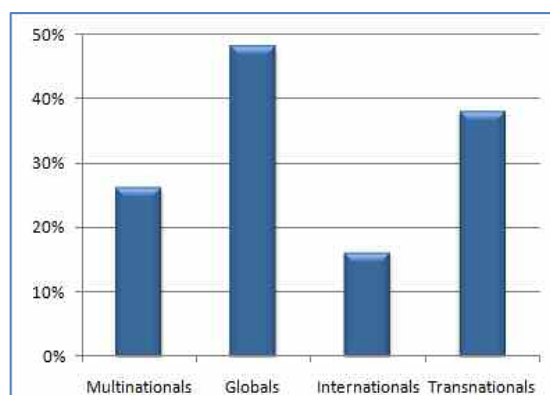**Figure 14. Number of Employees Served by Organization Type.**

Figure 15. Help Desk Applications by Organization Type.

Help Desk Application is a Key Contributor to Efficient HR.

The value of strategic, talent management applications is best shown by looking at the financial performance of organizations that have adopted the various applications against those that have not.

Globals more frequently have a help desk application in place (**see Figure 15**), **which we believe is the key contributor to efficient HR.** A distinct characteristic of the Global organization is its strong adoption of the help desk application. With a help desk application, Globals are able to serve more employees per HR staff. Almost half (48%) of the Globals in our study have an HR-oriented help desk application, compared to considerably less (average of 27%) for the other organization types. Only the Transnationals come close in the adoption of HR-oriented help desk applications (38%). The HR-oriented help desk application is the primary differentiator for organizations wanting to streamline HR administration and reduce the costs of HR service delivery.

Internationals show the lowest adoption of help desk technologies (**see Figure 15**). This finding emphasizes the Internationals greater focus on learning and sharing: people strategies are better promoted through high-touch, face-to-face interaction as opposed to the high-tech approach using help desk technologies.

Figure 16. Growth by Organization Type.
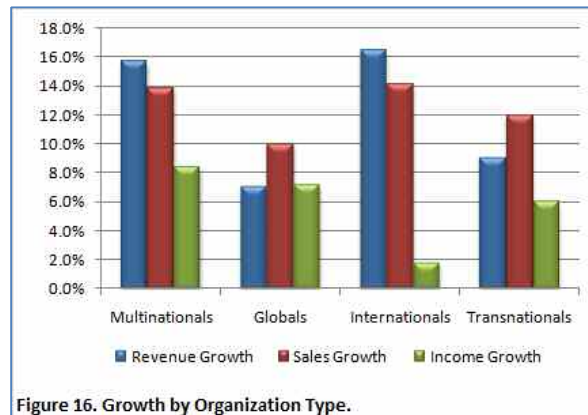
Financial Impact

In this section, we look at the linkage between talent management and business intelligence applications and organizational financial performance: operating income growth, sales growth and revenue growth. As we dive deeper into our analysis in the remainder of this report, we look at some of the factors that may be driving financial growth when organizations adopt different types of HR technologies.

Figure 16 shows overall average operating income growth, sales growth, and revenue growth for each of the four organization types (whether or not they have HR technologies in use). On the surface, it appears that Multinationals and internationals show much stronger growth in sales and revenue (14% and 16% for multinationals and 14% and 17% for internationals) than the other models. In fact, they exceed the Globals and Transnationals sales growth by 3% and revenue growth by close to 8%! As we saw in Figure 3, Globals and Multinationals have a stronger profit orientation (32% and 33%), and Figure 16 confirms that their income growth is indeed higher than the other models (8% and 7%, respectively). But as we will see below, financial performance of organizations with certain key HR technologies in place is even greater! As we stated in the introduction, we are not proposing causality, but we clearly see a strong linkage between improved financial performance and organizations who have adopted specific HR applications.

Talent Management Applications Impact

The value of strategic, talent management applications is best shown by looking at the financial performance of organizations that have adopted the various applications against those that have not. If talent management applications and the underlying processes are truly working, then they should be helping an organization acquire, develop, and retain the best talent. [12] With the best talent, the organization should benefit with improved financial performance. Imagine that an organization, through its performance management processes, identifies top performers and then recruits to find comparable performers or develops to create comparable performers; what that might do to overall performance.

Drawn from the CedarCrestone overall 2008 survey results (see Figure 17), we found that, overall, organizations with competency management applications in use achieved greater sales growth (15.7% versus 10.8% than those without competency management).[13] A finding consistent with our surveys over the past few years. With competency management at the core of all talent management processes, organizations can plan and recruit for specific competencies needed, as well as develop and retain a workforce with key competencies, all leading to the highest organizational performance.
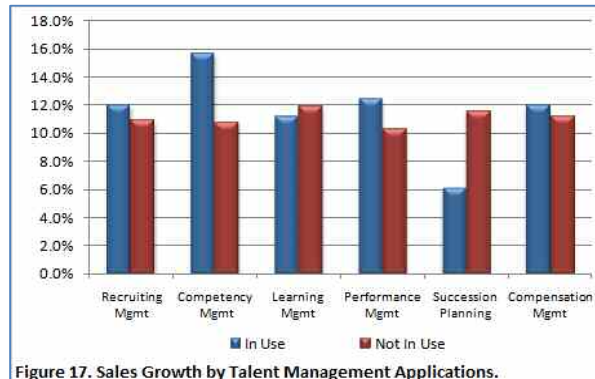

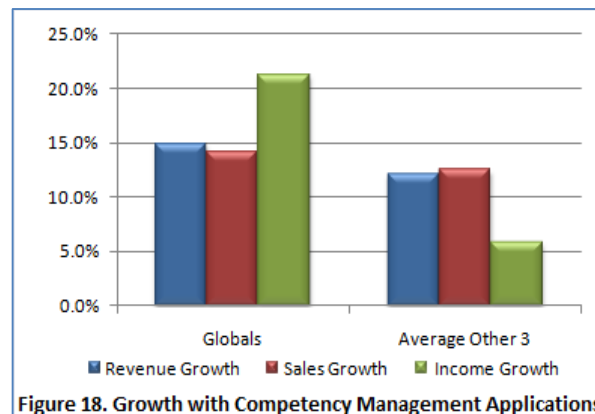**Figure 17. Sales Growth by Talent Management Applications.**

**Figure 18. Growth with Competency Management Applications**

Competency Management Application is a Key Contributor to Efficiency and Growth.

Global organizations with competency management applications in place had standout overall growth rates (see Figure 18). Among those Globals with more than the average usage of competency management applications, operating income growth is significantly higher than at organizations with average usage (21.3% versus 5.9%). Sales and revenue growth are also slightly higher in these Globals (14.1% versus 12.5% and 14.9% vs. 12.1% respectively) than the overall average growth for all four models. This suggests that the global usage of a competency management application is a key contributor to the organization being able to run both a cost-efficient and growth-oriented operation. With competency management at the core, Globals are better able to manage their workforce, ensuring that they have the right skills and the right people in place at the right times, as well as plan their workforce needs of the future. As we saw in Figure 13, Globals are among the greatest users of HR dashboards and ad hoc reporting tools, two other key applications that enable Globals to manage their workforce needs effectively and efficiently.

Learning Management Application Adoption is Linked to Higher Growth.

*Internationals show a strong positive link between adoption of learning management and sales and revenue growth (see **Figure 19**).* Internationals with learning management applications had significantly higher sales growth (14.9% versus 6.3% for the other three) and revenue growth (16.9% versus 6.9% for the other three) than the other organization types (see Figure 19). In the CedarCrestone annual survey, we note that in difficult economic times, organizations move their focus from recruiting new talent to developing existing talent. This higher than average sales and revenue growth for the Internationals may reflect that they are on the right track to achieve greater value with their emphasis on learning and sharing typically offered with learning management applications. We will look to further confirm this linkage between adoption and improved financial performance with subsequent annual survey research.

Figure 19. Growth with Learning Management Applications.

Figure 20. Growth with Recruiting/Performance Applications.
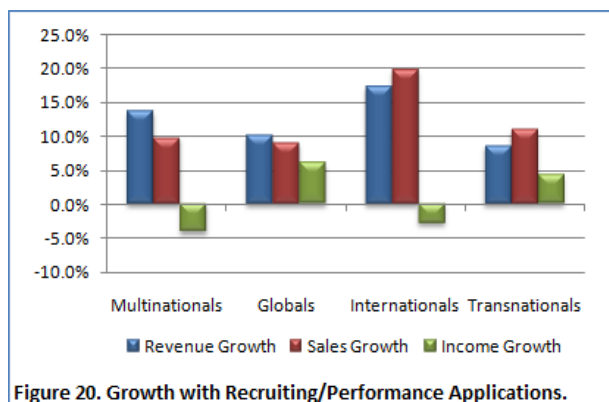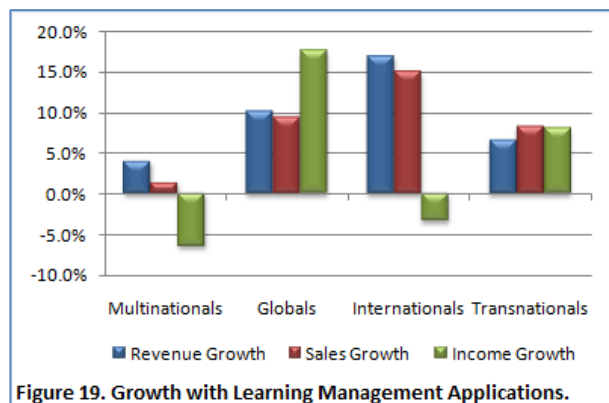
Recruiting and Performance Management Application Adoption Together are Linked to Higher Growth.

*Internationals that adopt both recruiting and performance management are linked to significantly greater sales and revenue growth than the other organization types (see **Figure 20**).* Interestingly, we see that Internationals sales growth (19.7% versus 9.8% for the other three) and revenue growth (17.2% versus 10.7% for the other three) is greater than the other organization types, yet their income growth is significantly below standard (-2.8%). We suggest that these organizations need to put greater focus on improving and streamlining their processes, in order to bring their income growth in line with that achieved by the Globals (6.0%) and Transnationals (4.2%).

**Business Intelligence Applications Impact**

Business Intelligence applications are still in the early stages of adoption and thus it is difficult to determine the value attained for any individual application (the average number of BI applications in the survey data was just 3.6 out of 14).[14] Thus, for the analysis in this section, we looked at the linkage between fi-

nancial performance of organizations with higher than average adoption of five key BI applications:

- An **HR warehouse** that offloads reporting from the HR transactional system;
- An **HR dashboard** that reflects a focus on process efficiencies starting with HR itself;
- **Ad hoc reporting** that reflects a level of focus on enabling HR to drill down to the underlying factors behind a metric;
- **Middleware technology** that provides for the extract, transform and load of data in multiple repositories such as various talent management applications into a form that can be reported upon. Use of middleware technology reflects a high level of institutional maturity with BI; and,
- **Workforce analytics** that enables organizations to make decisions based on analyzing various workforce scenarios.

Greater use of BI Applications is linked to the most positive financial performance.
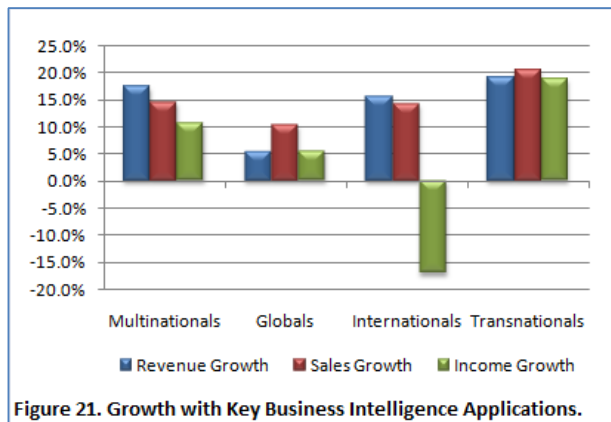
Figure 21. Growth with Key Business Intelligence Applications.

Transnationals with a greater than average number of key **BI** *applications have the most positive overall financial performance (see* **Figure 21**). This most revealing finding suggests that, as organizations mature in their globalization and automation efforts, they find that metrics help them in assessing the right balance between local responsiveness, global efficiency, and worldwide learning. Transnationals see the value in being managed with metrics and the adoption of these applications is linked to the highest overall financial performance: sales growth of 20.4%, revenue growth of 19.0%, and operating income growth of 18.8%.

Summary of Key Findings

From our analysis of the 2008 CedarCrestone survey results, it is clear that characteristics such as strategy, HR's strategic role, the level of standardization of data and processes, service delivery structure, and HR technology adoption are true to the Bartlett and Ghoshal organization model typology. Multinationals are less standardized and make less use of technology. Globals are much more standardized and focused on efficiency; Internationals are focused on developing people and leveraging learning; and, Transnationals seek to balance the best aspects of the other three models, building for growth. Based on our analysis, the following summarizes our key findings:

Global Organization Type Characteristics

- Transnationals and Internationals most frequently report their organizational strategy as having a "growth orientation" (see Figure 3).
- Globals and Multinationals put a much stronger focus on profit than the other models (see Figure 3).
- Human Resources in a Multinational organization is not viewed as strategic as it is in other types (see Figure 4).
- Globals and Transnationals are more standardized in their systems and data than the other types (see Figure 5).
- Multinationals are the least standardized in their business processes than the other organization types (see Figure 6).
- Transnationals take a hybrid approach to process standardization (see Figure 6).
- Multinationals exhibit greater distributed HR service delivery (see Figure 7).

HR Technology Adoption

- Multinationals demonstrate the lowest adoption rate of all technology applications as compared to other organization types (see Figures 8 and 9).
- Globals exhibit greater than average adoption of all HR applications (see Figures 8 and 9).
- Multinationals report the lowest use of Service Delivery applications (see Figure 9).
- Transnationals make the greatest use of Service Delivery applications, enabling HR to be more strategic (see Figure 9).
- Transnationals place a greater focus on recruiting, competency, and workforce planning applications (see Figure 11).
- Internationals are the most aggressive adopters of the develop category of applications (see Figure 12).
- Internationals are the lowest adopters of retain solutions and workforce planning applications (see Figure 12).
- Each organization type focuses on different BI tools to support its business strategy (see Figure 13).
    - Multinationals are more likely to have adopted an HR data warehouse.
    - Globals are the greatest users of ad hoc reporting tools.
    - Internationals are the greatest users of workforce analytics.
    - Transnationals are the greatest users of HR dashboards.
    - Use of middleware applications shows a "true-to-type" progression as organizations mature in global development.

Value of HR Technology

- Globals serve the greatest number of employees (see Figure 14).
- Globals more frequently have a help desk application which is the key contributor to efficient HR (see Figure 15).
- Internationals show the lowest adoption of help desk technologies (see Figure 15).
- Global organizations with competency management applications had standout overall growth rates (see Figure 18).
- Internationals show a strong positive link between adoption of learning management and sales and revenue growth (see Figure 19).
- Internationals that adopt both recruiting and performance management are linked to significantly greater sales and revenue growth than the other organization types (see Figure 20).
- Transnationals with a greater than average number of key BI applications have the most positive overall financial performance (see Figure 21).

Conclusions and Recommendations

In undertaking this analysis, we wanted to investigate the interplay of different global organizational types, strategy, HR's role, service delivery structure, level of standardization of data and processes, and HR application adoption with the value achieved. Building on the CedarCrestone survey results from the last 12 years, we were able to put a special focus on global organizations and their specific HR technology adoption patterns that appear to be fueling their successes. Our hypotheses were confirmed:

- Multinationals are the most decentralized organizations:
  - They show the lowest technology adoption of all other organization models.
  - They are significantly less strategic in HR than the other models.
- Globals focus on developing lean, cost-efficient operations:
  - They are the greatest overall adopters of HR technology.
  - They serve more employees with fewer HR staff at lower cost.
- Internationals cultivate a learning and sharing environment:
  - They are the greatest adopters of learning and talent development applications.
  - With learning management, they show the strongest link to sales and revenue growth.
- Transnationals focus on growth and business value:
  - They adopt key BI technologies to support management through metrics.
  - With key BI technologies, they show the strongest link to overall financial performance.

> **In short: Multinationals support local operations, Globals save money, Internationals develop people, and Transnationals make money.**

Based on these findings, we recommend the following best practices for building the most effective and cost-efficient global HR technology strategy:

- An HR-oriented help desk application is the key application differentiator for organizations wanting to streamline HR administration and reduce their costs.
- Competency management is critical to a successful talent management strategy as it drives planning, recruiting, development and retention processes.
- Developmental applications are critical during difficult financial times, helping to position the organization for recovery.
- Business Intelligence applications hold promise for supporting financial growth but it is early in the adoption cycle for these applications.

One final comment about our findings is that it is important to realize that there is no one right strategy for global organizational design. Rather, different organizational histories, cultures, strategies, visions, industries, and economic circumstances may warrant different strategies at different times. One axiom, however, that does seem to fit universally is to be "as global as possible, as local as necessary." The possible and the necessary are relative to each organization's unique situation at a specific point in time.

Endnotes

1 Lexy Martin has contributed data and analysis from the 2008-2009 CedarCrestone HR Systems Survey, the longest running survey on HR technology adoption and value achieved along with her experience helping organizations with benchmarking and creating winning business cases; Karen Beaman has contributed her knowledge of global organizational design developed over the last 12 years through research and first-hand experience helping organizations build an effective global model for human resources.

2 Bartlett, Christopher and Sumantra Ghoshal, *Managing Across Borders: The Transnational Solution*, Harvard Business School Press, 1989.

3 This progression, the Organizational Development Curve, was first postulated by Beaman & Walker (2000, pp. 32-33) and later also reported by Beaman & Guy (2003, pp. 17) as a typical pattern for global organization development. Orga-

> *Rather different organizational histories, cultures, strategies, visions, industries, and economic circumstances may warrant different strategies at different times.*

nizations often start their global journey via acquisitions outside their home country. Initially, their international subsidiaries operate autonomously, the Multinational model. Later they realize they can gain efficiencies by consolidating operations and so they move to the Global model. However, the Global model does not effectively support the needs of the local businesses; hence organizations migrate to the International model with a focus on learning and sharing. Ultimately, mature global organizations evolve to the Transnational model to provide the best balance between local autonomy, standardization and efficiency, and learning and sharing.

4 See Karen Beaman and Alfred J. Walker, "Globalizing HRIS: The New Transnational Model," IHRIM J*ournal*, October/December 2000, Vol. IV, No. 4. pp. 30-43; Karen Beaman and Gregory Guy, "Transnational Development: The Efficiency-Innovation Model," IHRIM J*ournal*, Vol. VII, No. 6, pp. 14-25; Karen Beaman and Gregory Guy, "Sourcing Strategies for the Transnational Organization," IHRIM J*ournal*, July/August 2004, Vol. VIII, No. 3. pp. 29-38; and Karen Beaman, "Global by Design, Local by Implementation: HR and HRIT in the 21st Century," IHRIM J*ournal*, 2008. Vol. XII, No. 1. pp. 10-22. All can be found at www.jeitosa.com/articles.

5 CedarCrestone 2008-2009 HR Systems Survey, www.cedarcrestone.com/research. This research was conducted between May and September, 2008.

6 See CedarCrestone 2008-2009 HR Systems Survey, www.cedarcrestone.com/research, for the full survey report.

7 See CedarCrestone Application Blueprint, Figure 3.

8 CedarCrestone Metrics and Analytics (2007, 2008) are available at www.cedarcrestone.com/research

9 CedarCrestone ROI Studies, 2002 – 2009.

10 Martin, Alexia, "Human Resources Self-Service/Portal Value Proposition: Beyond ROI to JOI," IHRIM J*ournal*, June 2000, Vol. IV, No. 2, pp. 20-27.

11 CedarCrestone ROI Studies, 2002 – 2009.

12 CedarCrestone, 2008-2009 HR Systems Survey, www.cedarcrestone.com/research.

13 Please see the complete CedarCrestone 2008 annual survey that explores other findings such as the surprisingly low sales growth of organizations with succession planning.

14 Martin, Lexy, "The Value Propositions and ROI of Business Intelligence," IHRIM.*link*, October/November 2008, pp. 11-14.

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