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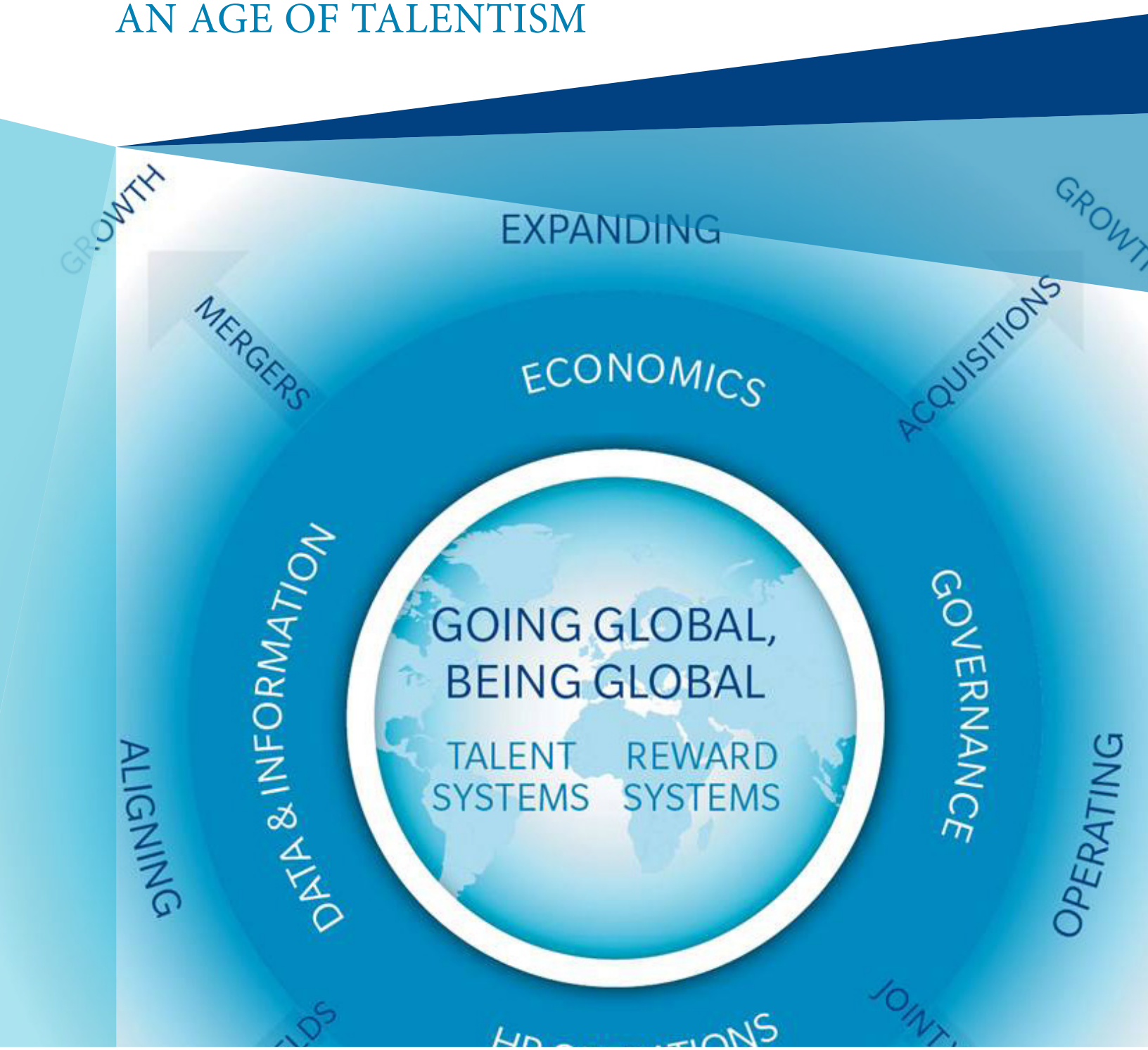
GOING GLOBAL, BEING GLOBAL:
ADDRESSING CROSS-BORDER HUMAN RESOURCE MANAGEMENT CHALLENGES IN AN AGE OF TALENTISM



MARSH & McLENNAN COMPANIES

In today's multinational business environment, organizations are typically in a state of expansion, which we call "Going Global," leading to a state of ongoing integration and optimized performance, or "Being Global." Successful talent management and talent mobility are at the heart of these concepts, and they rely heavily on the human resource function to rise to the global challenge.

THE HISTORY OF GLOBALIZATION

"Globalization" has been defined as "… all those processes by which the peoples of the world are incorporated into a single world society." In a corporate business context, and from an HR management perspective, this can easily be translated to "… all those processes by which employees are incorporated into a single world business." Recent research[1] indicates that organizations' ability to differentiate themselves through their talent bases will be a key source of competitive advantage in the coming years. We are in an era of "talentism," and HR and business leaders need to fully understand and address the talent challenges they face as their organizations compete in global markets. This is equally as true for those organizations that have been established internationally for many years as it is for those in the early stages of global expansion.

The globalization of business is not new. It began in the third century B.C., and what we today regard as a global economy emerged in the 16th and 17th centuries when many European countries and businesses began their quest for global resources (for example, minerals in Africa, spices in Asia, tobacco and other agricultural products in the Americas). Established circa 1600, the British and Dutch East India companies are the earliest known examples of multinational corporations, and talent management at that time focused on enabling entrepreneurial explorers, many of whom eventually localized, and recruited cheap or enforced local labor (Figure 1).

"Going Global" refers specifically to the process of entering new geographies through global expansion and global sourcing, necessitating that an organization add employees and meet local HR management requirements.

"Being Global" is the state of business and HR integration that occurs across various parameters — such as strategy, structure, operations, financial and risk management, HR effectiveness, and information flow — and optimizes an organization's performance as a worldwide entity. Being Global typically requires the articulation of a clear workforce growth-and-development strategy with underlying HR philosophies, programs, and policies.

In the late 19th century, multinational corporations began to look like the ones we know today. Rather than exploiting the world's natural resources to be repatriated to the mother country, organizations recognized that there were emerging markets for their products around the world, and with improved communications and transportation, they were able to take advantage of the growth in sales these markets offered. I.M. Singer & Co., the first US multinational, began selling sewing machines internationally in the mid- to late-1800s, initially through local agents and soon through its own sales force. Well-known organizations, including General Electric, Eastman Kodak, and Westinghouse, established international manufacturing by the end of the century. Companies then began to implement talent management strategies that emphasized the establishment of local sales forces, cost-effective local manufacturing operations, and the introduction of local management.

[1] Mercer and World Economic Forum. Talent Mobility Good Practices — Collaboration at the Core of Driving Economic Growth. January 2012.

Figure 1: The Globalization of Business

Era of Globalization	Talent Considerations
Exploration/natural resources	• Entrepreneurial expatriate leadership. • Low-cost local labor.
Sales and manufacturing	• Expatriate leadership charged with developing local management capability. • Transition from sales agents to sales force. • Establishment of a local manufacturing base with a focus on retention and long careers with firm-specific skills.
Supply chain management	• Emergence of global leadership, expatriates, and third-country nationals. • Shift to lower-cost manufacturing.
Services	• Low-cost technology and language skills. • Start of globalizing functional support. • Focus on recruitment and engagement (buying rather than building the talent base).
Talentism	• Globalization of leadership, R&D, and functional support. • Focus on value of diversity, employee development, wellness, and productivity. • Refocus on building talent from within.

Between World Wars I and II, many consumer products companies expanded globally. Unilever, Procter & Gamble, Kellogg's, Coca-Cola, and PepsiCo, among others, established significant global presences, and local branding and marketing of global products were the keys to their successful expansion. From a talent perspective, this meant greater consistency in, and control of, operations around the world. Although pharmaceutical companies entered the global market soon afterward, their rapid international expansion didn't begin until the 1950s.

The immediate post-World War II years saw the advent of the shipping container, which made mass product distribution cost-effective even for heavy industry, changed the scope of the world economy, and expanded most companies' ability to manufacture products more cheaply in select locations and deliver to customers anywhere in the world. The production and distribution chain had thus become global, enabling auto manufacturers and suppliers, chemical companies, and, later, computer hardware manufacturers to globalize.

Globalization skyrocketed beginning in the 1990s, during which time the removal of financial barriers, the advent of the internet, and the rapid expansion of telecommunications resulted in the potential for globalizing service and software industries. Talent could be sourced to the lowest-cost locations capable of delivering the desired service or product.

GLOBAL TALENT MANAGEMENT

Only very recently have companies begun to recognize the value of global talent management, to a great extent because other factors (for example, access to capital, impact of trade barriers, access to customers, control and cost of the supply chain) created competitive advantage that overshadowed the impact of talent — particularly local talent. Furthermore, there was a ready supply of talent in the locations that mattered most.

As barriers to competitive success have been eliminated, securing and engaging the best, most cost-effective global talent have proven vital to achieving competitive advantage, but the supply of qualified talent for many key roles has diminished. While mature economies wrestle with baby boomers' looming retirement, all markets wrestle with insufficiently qualified and experienced replacements. And this applies not only to local sales and manufacturing operations but also to the global capabilities and diversity of leadership, R&D, marketing, and all the functional support areas. In the future, the most successful firms will be those that recognize the emerging disconnect between the location of current roles and the location of the best talent — and that most effectively bring "people to jobs and jobs to people."

"The world is moving from Capitalism to Talentism."

– Klaus Schwab, WEF Founder and Executive Chairman

Talentism ... requires leaders who are willing to invest in talent as a key competitive asset.

World Economic Forum (WEF) founder and Executive Chairman Klaus Schwab wrote, "The world is moving from Capitalism to Talentism"— an observation supported by research on talent mobility that Mercer and the WEF conducted together. Indeed, to be successfully competitive, companies must recruit and develop a differentiated workforce; ensure that employees are healthy, engaged, and productive; and establish an infrastructure of rewards, governance, and operations for their talent programs.

Ultimately, enabling and accelerating talentism in today's global business landscape require leaders who are willing to invest in talent as a key competitive asset, a culture that values talent and seeks to develop the best in every member of its team, and a collaborative mindset that reflects expansive vision and considerable comfort with complexity.

So how do globalization and talentism affect the human resources functions of organizations? Whether they're currently Going Global or Being Global, they must do the following:

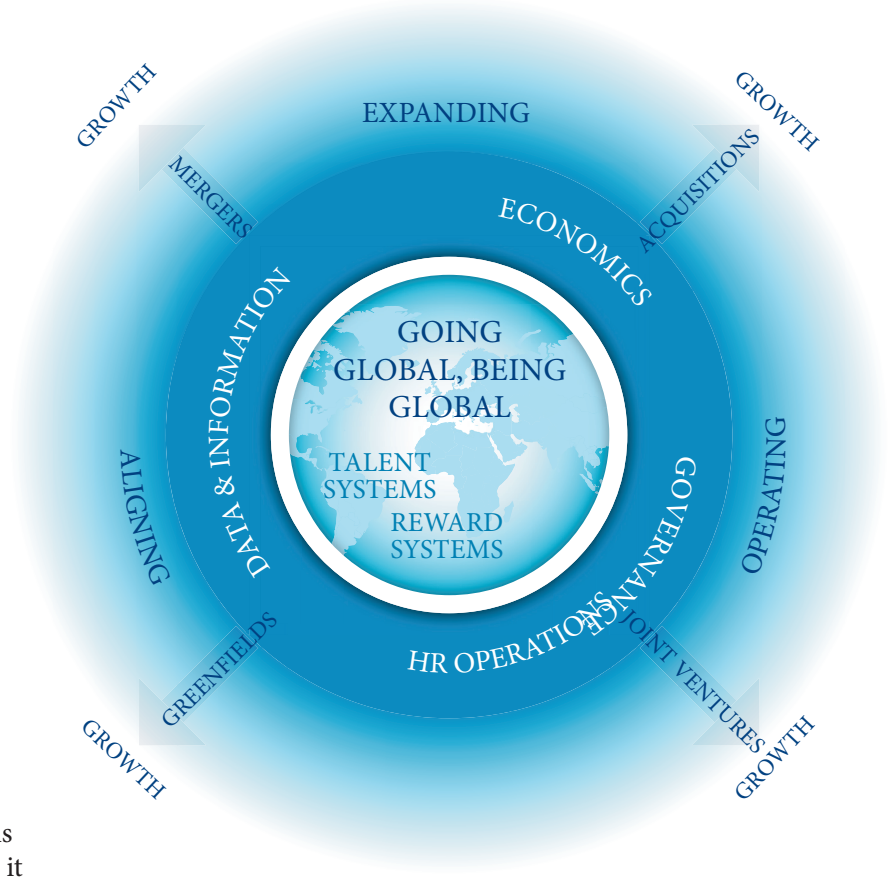
1. FULLY UNDERSTAND THE BUSINESS STRATEGY, specifically as it relates to operating across country boundaries, understanding how operating in multiple countries creates value for the organization, and implementing the core organizational behaviors (culture) needed to drive a successful organization.
2. RECOGNIZE THAT GOING GLOBAL/BEING GLOBAL IS A PROCESS with three distinguishable phases (Figure 2):
   - Expanding, whether by acquisition, greenfield development, materially increasing the workforce in an existing location, or outsourcing and offshoring.
   - Aligning operations around the world to the global business and talent management vision and strategy.
   - Operating HR efficiently and effectively, recognizing the challenges of global diversity among practices, regulations, and cultures.
3. IDENTIFY AND INTEGRATE THE WORK REQUIRED TO ENSURE CONSISTENCY IN THE HR PROCESSES of expanding, aligning, and operating a multicountry business. HR functional experts must gain a broader understanding of Going Global/Being Global and develop collaborative and coordinated approaches to each of the following challenges:
   - Growth: Supporting complex cross-border growth initiatives such as acquisitions, joint ventures, and new country startups.
   - Talent Systems: Developing talent management strategies to secure, retain, and engage the right employees.
   - Reward Systems: Designing and communicating programs that motivate desired behaviors and are sensitive to local and global needs.
   - Economics: Ensuring effective financial and risk management of all HR programs, policies, and activities.
   - Governance: Executing practices that drive compliance and alignment with organizational values across diverse environments.
   - HR Operations: Organizing and operating the HR organization to maximize global and local effectiveness.
   - Information and Data: Obtaining the people-related information necessary to make informed decisions.

GROWTH

HR plays a key role in supporting international growth through acquisitions or similar transactions (such as joint ventures), new site development, and the rapid growth of employee populations in existing locations. In pursuing transactions that enable Going Global, companies will focus heavily on financial and compliance due diligence and on gaining an understanding of locally competitive talent practices. Considerations then will turn to the integration of acquired businesses into existing operations, an exercise that requires a greater focus on the alignment of HR policies, programs, and practices, and more important, the challenges of cultural integration from both national and organizational viewpoints. As the transactions become more complex — potentially multicountry in scope — having documented processes and tools, along with a clear vision of roles and responsibilities, should enable a more efficient process and a more rapid assimilation of the acquired talent.

For new site development or rapid expansion, HR needs not only to be well-informed about local regulations and practices and implementing programs that drive the performance needs of the business, but it also must be able to form assessments of local current and future labor markets, in order to help leadership determine optimal locations, and to drive execution of hiring and onboarding such that the new operations are up and running as quickly as possible.

Figure 2: Expanding, Aligning, and Operating Globally



TALENT SYSTEMS

When Going Global, companies' preliminary talent focus will be on ensuring that the appropriate leadership is in place and effective. This will likely involve the development of an expatriate community of leaders and an assessment of local talent, especially those in more-senior positions, that will depend on the strategic priorities of the business. We observe many companies developing approaches to global job leveling, which provides the foundation for the talent management structures needed to align and operate global businesses.

With such a foundation in place, HR can focus on more-sophisticated talent planning and resource allocation with a long-term goal of establishing a global workforce that is leveraged to maximize value and manage cost and is more focused on talent capability than it is on location — in essence, Being Global. In order to achieve this goal, HR must align its approaches to talent and leadership development, diversity training, and engagement; adopt global career paths; and implement a clear vision of employee mobility and its value to the organization.

Recognizing that talent markets are at different stages of evolution, it is not uncommon for organizations to develop different talent strategies for different markets and regions. Most notably, many companies have developed specific talent development strategies for emerging markets that reflect the best opportunities for business growth in the coming years.

HR plays a key role in supporting international growth.

Global job leveling provides the foundation for the talent management structures needed to align and operate global businesses.

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REWARD SYSTEMS

Whether organizations are Going Global, Being Global, or operating in a single location, their reward systems need to support the recruitment and engagement of the workforce and drive the desired behaviors. In a global setting, this becomes more challenging because the complexities of differing cultures, regulatory/tax environments, and histories result in a smorgasbord of practices that need to be understood and managed effectively. The key to success is to have a sound understanding of the desired behaviors of the talent base and develop a comprehensive total rewards platform for developing appropriate programs that drive desired behaviors.

Companies Going Global most likely will focus on benchmarking and positioning relative to relevant local practices at an affordable level of cost and in compliance with their core rewards values. Companies Being Global will focus on aligning and operating the global rewards system with an emphasis on the performance-driving elements of the rewards programs and an understanding of how the program needs to be adjusted to balance a desire for global program consistency with the preferences of local employees and their cultural differences. Whether Going Global or Being Global, companies seek the same goal: commonality of global behaviors (such as performance, engagement, recruitment/retention) with as much common design as is possible, compromising on consistency only where needed. Too often, organizations do the opposite, looking first for consistency of design and then compromising on performance.

Companies Being Global will focus on aligning and operating the global rewards system with an emphasis on the performance-driving elements of the rewards programs.

ECONOMICS

The potential risks, liabilities, and costs of a global workforce are significant. Global organizations can manage these concerns with a thorough due diligence process for growth, but most global organizations have legacy or regulatory commitments to consider, future budgets they need to control, and expenditures to manage through global economies of scale or risk mitigation measures. At a minimum, HR — together with Finance and Risk Management — needs to develop new ways to inventory the global talent financial commitments and to establish a regular reporting, assessment, and planning cadence.

Once the basics are in place, global organizations can achieve economies of scale and improve risk management through vehicles such as the multinational pooling of risk benefits, risk mitigation and asset/liability management of retirement and similar plans, and use of captive insurers for both risk benefits and asset management. These vehicles can be arranged through global advisors who have an understanding of corporate needs and who work with local networks to ensure proper alignment between advice and reporting.

GOVERNANCE

To a large extent, governance is an extension of economics. Global organizations need to adopt the checks, balances, information flow, and decision-making protocols that ensure compliance with ever-evolving global and local regulations, align with corporate policies and values, and enable global alignment and effectiveness. Though global HR governance is conceptually straightforward, the sheer volume of work in a global setting makes execution of global governance challenging.

One common pitfall is that companies have a tendency to export HR policies without considering whether they are locally appropriate or even viable to apply. This is especially true in sensitive areas such as diversity, discrimination, ethics, and other behavioral policies. As for reward systems, governance policies need to focus on consistency and alignment of outcomes and avoid overly dogmatic wording. To ensure that no global policies will result in any unintended consequences, companies should obtain local legal advice (preferably coordinated globally) on the local application of all global policies.

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HR OPERATIONS

Technology advances have greatly influenced the globalization of HR operations. Much of the HR service delivery model is local, especially during the initial expansion stages. But consistent alignment and operation of HR during these stages result in improved data analysis capabilities; more cost-effective service capabilities (whether internal or outsourced), such as payroll, HRIS, and related technologies; shared services centers; and the technical content expertise required to develop global centers of excellence in areas such as rewards and talent management. The centralization of functional expertise not only enhances the professionalism of the function but also better aligns governance processes and decisions to corporate strategy.

There is a risk of centralized HR becoming distant from the business, however, so HR should operate as a virtual team, staying closely connected with the business both locally and globally, learning from and training local leadership and HR resources, and leveraging expert local and global advisors when appropriate.

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DATA AND INFORMATION

High-quality HR data and information are a core element of HR governance. In the early expansion phases of globalization, local data and knowledge sources are helpful, assuming they are of sufficiently high quality, but when attention turns to alignment, there is value in developing a more comprehensive data acquisition strategy that focuses on consistency of data provided through a common platform accessible locally and globally. Such an approach builds confidence in data analytics and is typically cost-effective. Furthermore, limiting the variation in data sources, already made complex through different platforms (for example, HRIS, payroll, salary surveys, and talent acquisition), enables more comprehensive data analysis to be completed and presented, moving the organization to the use of data to create insights into its global talent systems, all of which is essential to creating competitive advantage.

Figure 3: Considerations and Interventions: An HR Management Strategy for Going Global and Being Global

Mercer's research has identified core considerations and examples of interventions relative to each challenge to support the HR processes of expanding, aligning, and operating a multicountry business:

Challenge	Considerations	Examples of Interventions		
		Going Global	Being Global	
		Expanding	Aligning	Operating
TALENT SYSTEMS To optimize their global workforce, leading global companies must …	• Build a comprehensive talent-planning process and decision framework to support a growth strategy. • Identify workforce and capability gaps. • Engage with and create a sense of urgency among senior management. • Analyze hard data to track dynamics. • Create lines of sight among the talent management, acquisition, learning and development, and global mobility functions.	• Home-country expatriates. • Leadership assessment. • Job slotting/ leveling.	• Talent and leadership development. • Performance management. • Career pathing. • Increased mobility.	• Global workforce planning. • People to jobs, jobs to people. • Virtual roles.
REWARD SYSTEMS To maximize the effectiveness of their global rewards systems, leading global companies must …	• Address rewards holistically as TOTAL rewards. • Apply a flexible global strategy that can be adapted to the needs of local businesses. • Recognize varying employee engagement drivers. • Benchmark relevant labor competitors. • Seek global or regional delivery capabilities.	• Benchmarking. • Core philosophy alignment. • Financial drivers.	• Performance orientation. • Values-driven. • Common platforms for design and delivery.	• Global governance. • Dashboards and metrics. • Integrated management team.
ECONOMICS To ensure the most effective investment and management of financial resources, leading global companies must …	• Understand the cost parameters of the business, both now and in the future. • Identify where material financial exposure exists and establish appropriate reporting procedures. • Develop and implement risk mitigation plans. • Seek economies of global/ regional scale. • Use financial dashboards to track progress.	• Inventory of costs, liabilities, assets, and risks. • Basic financial compliance and reporting.	• Multinational pooling. • Global actuarial management. • Coordinated budgeting. • Consistent analytics.	• Integrated reporting and analysis. • ROI intervention. • Global synergies (assets, liabilities, risks, and cost management).

Figure 3 continued

Challenge	Considerations	Examples of Interventions		
		Going Global	Being Global	
		Expanding	Aligning	Operating
GOVERNANCE To maximize effective global policy development and decision-making and oversight, leading companies must …	• Establish effective committees and document decision-making protocols and outcomes. • Globalize (not export) policies, processes, and tools. • Understand and embrace local nuances. • Select global advisors with strong local presence and seek legal advice. • Review/audit regularly.	• Inventory of HR programs and practices. • Benchmarking. • Focus on compliance.	• Coordination of HR policies. • Incorporation of organizationwide values. • Business-need-driven priorities.	• Comprehensive governance documentation. • Global information management. • Clear decision-making protocols. • Reputation management.
HR OPERATIONS To maximize the effectiveness of the HR function and systems, leading companies must …	• Build global HR skills in business partners and centers of excellence. • Leverage technology, shared services, and outsourcing. • Establish HR organization design to support global business design. • Establish workforce analytics and planning processes. • Engage and train line and country leadership.	• Local delivery focus. • Getting the basics right.	• Common platforms, locally, regionally, and globally. • Synergies. • Shared services. • Understanding of legal and service provider constraints.	• Centers of excellence. • Establish global external relationships. • Enhance global platforms.
INFORMATION AND DATA To access the best data to support recommendations and decisions, leading global companies must …	• Implement a market data strategy aligned with the HR and rewards strategy and clarify data needs. • Train managers to understand the importance of data quality and methods. • Secure information from providers with broad geographic coverage to facilitate global and regional consistency. • Ensure that benchmarking universes focus on the right competitive talent markets. • Seek information providers that go beyond the raw data to provide analytics, context, and understanding.	• Local knowledge sources. • Quality standards.	• Core information strategy. • Common data platforms. • User training.	• Global data partnerships and efficiencies. • Moving beyond information to insight.

Figure 3 continued

Challenge	Considerations	Examples of Interventions		
		Going Global		Being Global
		Expanding	Aligning	Operating
GROWTH To maximize the effectiveness of their global growth strategy, leading global companies must recognize that …	• People issues matter to the success of mergers and acquisitions and to investment across borders. • They should address cultural integration early in the globalization process. • Exceptional global and local resources and capabilities are needed to support growth. • World-class tools, templates, and processes improve potential for success. • Rigorous project and results management is essential.	• Due diligence focus. • Primarily financial analysis. • Competitive benchmarking.	• Integration focus. • Cultural alignment. • Common communications platform.	• Comprehensive M&A playbook. • Global PMO. • Performance tracking and metrics.

CONCLUSION

In today's global economy, senior leaders understand that talent is now a greater source of competitive advantage than ever before. Yet research tells us that leaders cite a lack of adequate talent pipelines as one of their most critical business challenges. HR must lead the way in addressing this challenge as organizations expand, align, and operate globally. This requires training HR team members on the business and workforce needs of the global organization; developing tools, processes, and resources necessary
to execute on this global journey; implementing the appropriate programs; and developing the infrastructure to ensure success.

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