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1 What is truly meant by “global”?

Aligned, not alike: What does global mean?

Just saying you “want to get global” is not enough.

Globalization is near the top of many organizations’ agendas, and not without good reason. The growing populations and economies in China, India, Brazil, and other fast-developing countries will likely continue to represent fertile ground for market growth. They also offer the sustained potential of reduced cost pressure thanks to labor and regulatory differences. As a result, organizations are finding it attractive to recast their structures along global lines. There are three principal reasons: It helps them manage risk, it can help reduce operating costs to generate a more effective return on investment, and it can ease the way to a greater reward through market growth.

However, with all this talk of globalization, there still is not a clear definition of what “going global” means. Defined as everything from market expansion to end-to-end standardization, it is apparent that not only are there multiple paths to achieving the global vision, but determining which path an organization should take is the critical factor in reaching the globalization goal.

Globalization: Building the right infrastructure is critical

Globalization is not something that just applies at the business strategy level. The appeal of globalization and the pressure to get there fast has put an enormous amount of pressure on functions, such as HR, information technology (IT), finance, procurement, and legal, as they are the key to building the global infrastructure and foundation required to achieve this business objective. And with the need for a globally diverse and highly mobile talent base on the top of most organizations’ global agendas, HR is often at the forefront of the globalization mandate.

Many HR organizations have responded to this call for action by aggressively looking to standardize across the relevant elements of the HR operating model — people, process, and technology. The thinking has been that in order to support the organization’s objective to become global, there needs to be one system, one support structure, and one set of processes when it comes to HR activities. But, when looking at their experiences, those organizations often come to find that taking global to the extreme may not be a cultural fit and may be unnecessary to achieve the required level of globalization. In many cases, HR leaders who push the global agenda too far find that what started as a seemingly effective foundation for their transformation yields a step backward in the evolution of the HR function and a giant leap backward toward achieving “global.”

What is truly meant by “global”?

A one-size-fits all doesn't fit

Recently, a large, global, highly decentralized company decided to outsource much of its HR function. Using the outsourcing initiative as a catalyst for change, the company sought to standardize its policies, procedures, processes, and technology infrastructure across more than 80 countries. The standardization was core to making the outsourcing solution work as the company was planning to achieve a significant reduction in operating costs.

The company's HR leadership encountered a challenge in understanding where HR processes truly required differentiation or uniqueness for specific business units for true business needs. The company's all-in, global standardization approach quickly led to serious resistance to the idea of standardization from leadership, making the progress toward globalization under the chosen approach impossible. And, although the initiative on its surface was designed to meet the organization's overall needs, business leaders fought with great resistance to the point where it could not recover. Where did this company go wrong? By not understanding the tolerance for globalization at the process level, this organization went too far and lost the support of the business to push ahead.

Globalization is not just about minimizing differences. It is about making the most of commonalities so that core distinctions, such as language, customs, regulatory compliance, education level, technology, and other factors work to an advantage. It is critical that HR first evaluates and defines what “global” means to the business strategy. It is natural to want to avoid excess duplication and unnecessary differences from business to business and country to country. But making everything the same is not always achievable, and won't always be desirable. In some cases, enforced uniformity can even blunt regional advantages by tying each part of an organization to the lowest common denominator. Instead of bringing disparate operations together, it can isolate countries or regions that do not fit the mold, or minimize the particular qualities that foster a business unit's potential to lead its market.

Case in point: the failed global revolution

The trap of taking globalization too far is often seen in highly decentralized environments. These organizations may find that globalization — when not focused on those elements core to business strategy — is counter-cultural and difficult, if not impossible, to implement and sustain. A decentralized operating model, itself, implies that some components of the business run independently to preserve those qualities that provide competitive differentiation. When HR globalization is pushed too far, it can contradict the very operating principles that make the organization successful.

What is truly meant by “global”?

Understanding the options

Cautionary tales like that of the one-size-fits all company in the sidebar are not unique when looking at attempts by HR to become global. To proactively avoid these types of challenges, it is important for HR organizations to consider the range of options as it relates to becoming global. As shown in the table below, each option is premised on understanding overarching business needs and each has a set of distinct challenges and opportunities. Identifying where your company places within the spectrum is an important first step to defining what globalization of HR means to the organization and can help set the mandate and support required to drive the initiative forward.

After defining the desired global solution, the next step is segmenting the regions to which it will apply — and the ways in which the solution or a modified version may

apply (See table on next page.). A set of objective criteria or guiding principles that account for the true business drivers is helpful. For example, the criteria might include types of position, location, population size, or complexity of the workforce mix. Some regions or countries, as defined by the chosen criteria, may not be best served by the global solution as much as others, or at all. For example, many organizations start with a rule of thumb that locations in countries with fewer than 500 employees should consider alternate solutions because that employee threshold doesn't always support a business case unless the market is a growth target for the organization.

Finally, with all these determinations in place, the HR team should craft a deliberate road map to deploy the new HR delivery solution in a sequence that addresses the populations and implement it according to a timetable that aligns with the business need that began it all.

What is truly meant by “global”?

		Connecting the dots	Improving the infrastructure	Driving consistency
Business need		Seeking a global view of its data to drive its globalization agenda; often required in organizations looking to expand into growth markets and need to effectively identify and redeploy talent	Seeking to drive toward a more global business operating model and looking for the core functions, such as HR, to mirror that global model to the extent required to support the business strategy and model	Seeking significant cost savings or preparing for a significant transaction (e.g., merger or acquisition); as a result, the need for standardization is high
Design	People	Roles are standardized to drive security and workflow within the selected technology solution; commonality is typically focused on transactional-type roles only, not strategic activities that are performed by HR business partners or centers of expertise	Roles are standardized for HR operations supporting countries with large populations of employees and/or those components of the HR operating model which provide core transactional support (i.e., navigation of the technology platforms, core transactional processes)	Roles are standardized across the entire HR operating model (shared services, HR Business Partners, and Centers of Expertise); this can involve organization redesign, skill and competency analysis, rebanding or reassessing compensation levels and potentially workforce transition
	Process	Common processes to support the use of the technology solution only; processes are standardized to the extent that they affect the inputs and outputs for the HR solution	Common processes across critical areas of focus for the business (e.g., talent management, workforce planning) or for a subset of countries which are core to market growth	Common processes across the relevant areas of the employee life cycle (hire to retire) and across the countries in which the business operates
	Technology	Multiple systems are integrated via feeds and interfaces into a central database for core reporting and analytics (e.g., data warehouse)	Core set of common systems focused on specific areas which are core to the organization’s business strategy (e.g., talent management, recruitment, workforce planning)	One global HR system used as the central point of input for employee data across all countries in which the business operates
Investments and challenges		While the implementation investment is often low, the operational maintenance in this type of model can be high. Because the organization is still working with a disparate technology infrastructure, investments should be made so that data standards are adhered to and governance is in place to monitor and guide changes to the applications.	This model is often premised on a phased implementation approach where the HR function is looking to globalize over time and is starting with what is core to the organization’s business strategy. While this approach can help to spread the implementation costs over time, the challenge is sustaining the organization’s ability to handle constant change to be able to realize the full vision.	The extent of globalization in this model requires a very large, upfront implementation investment; typically, the biggest challenge is creating a business case that can justify the spend required and still produce a level of either one-time or ongoing savings for the organization.

Source: Deloitte

What is truly meant by “global”?

Case in point: the global evolution

The benefits of a thoughtful approach to globalization, applied by a large, global, and complex organization whose HR function was trying to tackle its need to get global quickly, drove an outcome with minimal impact to its existing operations. HR leadership decided upon an evolutionary approach to globalization. Attuned to the company’s tolerance for change and to the real business drivers behind the globalization need, the HR team understood that trying to standardize too quickly across all countries would not create a sustainable model. They recognized from the onset that the driver for globalization was the need to increase the organization’s presence in critical emerging markets and, as a result, the primary goal of globalization needed to focus on providing a global view of the organization’s talent base.

To that end, HR prioritized and narrowed its definition of global to focus on three core elements: (1) implementing a single, global HR solution where employee data could be housed; (2) standardizing the talent-related processes that affected the organization’s ability to identify, grow, and develop the talent base (e.g., recruitment, performance management, succession planning); and, (3) harmonizing only the core data elements that drive those identified processes. Without creating a completely standard HR organization or driving full, end-to-end HR process standardization, HR was able to support the need for globalization while establishing the foundation for future globalization efforts.

Selecting the ideal option: It is about aligning to the business strategy

When considering globalization and identifying the implications for HR, defining “global” is key. That effort starts with truly understanding the business strategy and the drivers for going global. For HR, this includes understanding the specific markets that drive the business strategy, now and in the future. HR should also understand how the business strategy and environment differ in each specific market, determine what drives those distinctions, and use that insight to create guidelines useful to the organization. For example, some markets may plan more growth than others — and the degree of HR investment in each place should reflect that understanding.

Once they’ve identified the business need, leaders should define the solution that will drive toward it. As shown through the spectrum of choices presented above, one organization’s solution might be confined to technology or it might extend into processes and roles. The solution may require consistency across the end-to-end processes, or it may touch only the portions that deal with data inputs and outputs. Even after an organization has determined what elements should and shouldn’t “go global,” it should consider how much local variance the new solution can permit. Somewhere, there’s a balancing point between global and regional needs.

What is truly meant by “global”?

Specific challenges and practical advice

Change at the scale of a global enterprise is difficult to transfer from theory to practice. Any level of standardization can mean that a given business unit or geography has a perceived loss related to a process, procedure, or system that it once found core to executing its business objectives. As a result, it is important to continue to tie HR globalization efforts to the business strategy and the business drivers. Each decision — whether it is where to focus or what countries to prioritize — will be essential to defining the context of the businesses’ mandate to globalize. That business case-based explanation, whether rooted in strong financials or purely qualitative benefits, should be central to the communications plan and change management efforts throughout the implementation of the solution.

Even after the implementation, keeping the new solution moving forward will take a sustained governance model — not just a one-time meeting, but a process that drives continuous change as needs and capabilities evolve. The leaders of a global transformation must have tangible influence across the global enterprise. They should be on board from the beginning and remain involved, so they can speak with authority when people challenge the process — and somewhere, someone will. In some organizations, change like this may alter the structure of HR leadership. In each case, the new governance structure should be as global as the business it supports. Some organizations introduce a new role, the HR chief operating officer (COO), as part of this structure. This role can serve as a driving force in sustaining the global solution once implemented. Whatever the structure, it is important to dedicate focus to the ongoing maintenance of the global solution as just as significant investment is made in building it.

Lots of ground to cover

There was a time when “global” and “standard” were near synonyms. In truth, one-size-fits-all may not have been the most effective way to visualize global operations; it is even less applicable in the global economy of today and the future, and it has seen many challenges for a function as nuanced as HR.

Adopting the new view described here, gaining critical leadership support and alignment, and putting it into action is heavy lifting, and it won’t all happen at once. The long march will achieve the desired outcomes for organizations that view HR globalization in the context of achieving defined business objectives and set clear goals that are firmly grounded in business needs.

In the years to come, a global organization will likely be one that allows different HR practices in different places to the extent that they benefit the organization. When operations in different parts of the world each operate according to local needs, conditions, and opportunities — and when they have common systems and standards that let them share relevant information and data — then they will be the parts that make a global organization truly whole.

