



Think Local, Act Global: The Collaborative Transnational HRIT Organization

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Introduction

The issue as to whether to centralize or decentralize the global human resource information technology (HRIT) organization continues to perplex HR and IT executives. Yet, the question of centralization or decentralization is, in fact, not the right question. Indeed, I maintain that we have been going about globalization the wrong way. The slogan, “Think Global, Act Local,” originally created by Canadian futurist Hazel Henderson to describe how small local actions can have large global impact, is completely the inverse of what we should be doing with our HRIT organizations. Rather, it is only by first “thinking locally” to truly understand the needs of our local business communities, and then “acting globally” to seamlessly knit together diverse business functions and systems into a holistic, global approach that we can build an effective, efficient and competitive organization. The new collaborative transnational HRIT organization is one that meets the needs of local business units, provides a global service delivery plat-

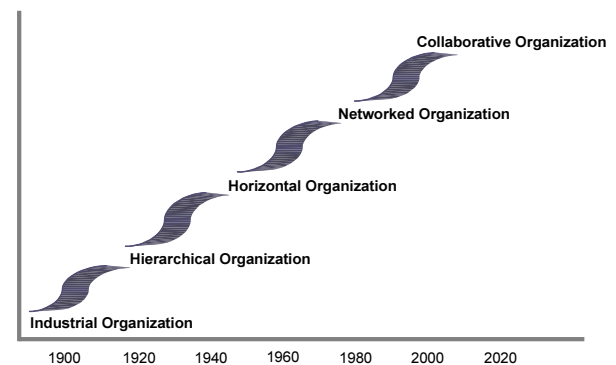
form, and promotes worldwide learning and collaboration.

This article first provides a brief history of the modern organization and discusses the various types of global organizational models that are common today. The main tenet of this article is that HRIT needs to move to the collaborative transnational organization model in order to deliver services more effectively in the age of Web 2.0.

A Brief History of the Modern Organization

Although humans have been organizing themselves into groups since primeval times, we begin our discussion of the modern organization with the turn of the 20th century and the birth of the industrial age (see Figure 1).

Figure 1. Evolution of the Modern Organization.



Source: Beaman 2007

Industrial Organization

The 19th century saw the rise of the industrial age and the birth of the centralized, command-and-control organizational structure, which still forms the foundation of many organizations today. This highly formal, centralized model enforced standards and promoted efficiencies that were very effective in the large, homogeneous organizations of the 19th and 20th centuries. “Company towns” grew up around early businesses that contributed to the growth of the Industrial Revolution. The organization in the industrial age can best be described as one that served the complete needs of both the worker and the family – from birth through death – in such a way that neither could exist without the support of the other.

Hierarchical Organization

As the industrial age expanded into broader commercial and professional services, the formal, familial, hierarchical organizational structure was cemented. William Whyte’s landmark book, *The Organization Man*, describes men (indeed they were almost all men in those times) who willingly put aside their own individual desires to meet the

needs of the organization. These men not only “worked for” the organization, but “sold their soul” to the company as well. In return, they received loyalty, security, and a sense of belonging. The organization was their family, their friend, not an enemy or authority to be questioned.

The ideology behind the “organization man” is the fundamental belief that the group is superior to the individual and that individuals lack meaning and purpose separate from the group. In the mid-1950's, college graduates joined big corporations with visions of long, stable careers with the company; corporate executives willingly uprooted their families anytime the company wanted to transfer them. The result, however, could be considered hyper-standardization and over-conformity with a heavy price on family and quality of life.

Early HRIT organizations in this time were in effect payroll departments, reporting to Finance, who managed the compensation and benefits for workers and their families with a top-down, centralized, standardized approach.

Horizontal Organization

The turbulent times of the 1960s and 1970s brought disillusionment with the traditional organization. Its hierarchical, siloed structure created challenges when working across organizational groups, creating considerable bureaucracy and often igniting turf wars. Simultaneously, demographic shifts were emerging in the workforce with the entry of greater numbers of women, immigrants and minorities. As technology continued to evolve, a decentralized, downsized, team-oriented model, more appropriate for the knowledge age, became apparent. Many organizations experimented with a matrix management approach where workers had multiple managers based on the work they were assigned.

The *Horizontal Organization* by Frank Ostroff discusses the “flattening” of hierarchies as the key to success in the new fast-paced, unstructured business environment brought about by the age of the knowledge worker. The horizontal organization is one that is organized around core processes and across business functions. This type of structure removes the functional walls that exist in the hierarchical organization and streamlines value delivery by building cross-functional teams that focus on what the customer needs. The horizontal organization brings an institutional change that eliminates bureaucracy, improves productivity, and solves common long-term organizational problems.

The horizontal HRIT organization is one where HR users and IT professionals are brought together into cross-functional teams – core HR, recruiting, compensation, learning, talent planning – each having dual reporting responsibilities to the VP of HR, to the CIO, and possibly to the business unit general manager.

Networked Organization

Toward the end of the 20th century, through rapid technological change, growth of high-speed communications, and expansion of air travel, the globalization age was born.

International competition intensified, and organizations increased their international development efforts. Globalization brought many new challenges as organizations tried to integrate diverse cultures, myriad systems, and different ways of doing business.

By building computer networks that span the world, enabling information to be transmitted instantaneously to all parts of the organization, the utilization of computers has had a tremendous effect on the structure of and communication within the modern organization. The networked organization created a major impact on employment levels as organizations sought to “right-size” to meet the new demands of business. These fundamental technological changes created a need to “re-engineer” business process and the way work was done.

Human resources information technology in the networked organization has been effective in tying together diverse groups across the globe facilitating communication, yet has complicated the world of IT through the difficulty in collaboration resulting from varying standards, methodologies, systems and cultures.

Collaborative Organization

As we near the end of the first decade of the 21st century, a new organizational model is evolving – an organization that extends beyond the four walls of the traditional company, comprised of workers within and outside the organization, seeking to collaborate with workers, partners, clients and even competitors. The collaborative organization is one that opens its doors to the world, sharing its knowledge and practices to co-develop and co-deliver new products and services leveraging cross-functional, cross-company, cross-country teams.

Don Tapscott in his recent book, *Wikinomics*, talks about the new collaborative organization as a result of “The Perfect Storm:” ubiquitous technology, changing demographics and global economics. The key characteristics of the collaborative organization are:

- *Open* – building and delivering products and services in non-proprietary ways;
- *Peering* – organic, self-organizing, crossing boundaries, with few levels of hierarchy;
- *Shared* – across organizational boundaries, building communities and lowering costs; and,
- *Global* – breaking down silos and leveraging resources and capabilities across the world.

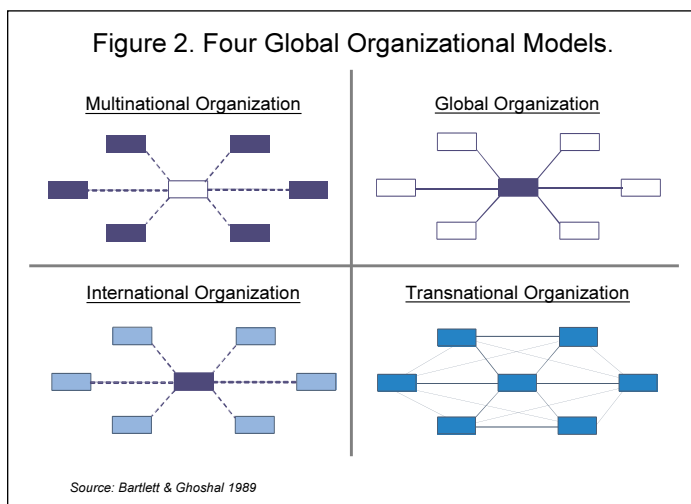
Human resources information technology in the collaborative organization is one that supports cross-functional project team structures, open communities of practice, shared knowledge management repositories, and global connectivity and collaboration through social networks.

While the modern organization has evolved significantly throughout the last century, this discussion does not imply that this evolution is purely linear. In fact, we see examples in the world today of all five types of organizations – even within a single company. There are still many highly indus-

trial organizations, such as mining operations and steel manufacturing plants. And while we see many horizontal and networked teams within organizations, the hierarchical organization is still by far the most prevalent. As the Internet becomes ever more ubiquitous, as the walls between organizations become more porous, and as the new generation of Net workers enters the workforce, the collaborative organization will become the predominant model for successful organizations.

The Structure of Global Organization

While the reporting structure of the modern organization has evolved through the last century, so has the structure of global organizations evolved. Christopher Bartlett and Sumantra Ghoshal, in their groundbreaking book, *Managing Across Borders: The Transnational Solution*, describe four basic structures for global organizations (see Figure 2).



Multinational Organization

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 information technology in a multinational organization is completely decentralized with the only centralized or shared effort being a global corporate data warehouse at best.

Global Organization

The global organizational model is the inverse of the Multinational Model; it is completely centralized with all power, control, and operational management residing at corporate and with local business units serving solely as pipelines to the local market. Human resources information technology in a global organization is centralized and managed through a single enterprise resource planning (ERP) system, generally reporting to the CIO. All new initiatives, innovations, and operational control are driven solely through the centralized HRIT organization.

International Organization

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. Human resources information technology in an international organization generally has either a centralized or regionalized ERP system with multiple, local, best-in-class satellite systems for various functions such as recruiting, training, compensation and performance management.

Transnational Organization

Organizations are now realizing that the centralized and decentralized approaches are both right and wrong. A hybrid model – the transnational organization – is becoming the most effective for companies thriving in today’s global, mobile, virtual, digital multicultural world. transnational organizations first “think locally,” to understand the needs of their business units, and then “act globally” to ensure that functions and operations are implemented with the overall goals of the entire organization in mind.

Human resources information technology in the transnational organization 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 company’s service center in Bangalore; and finally, Payroll may be managed locally by each individual business unit. Function-by-function, system-by-system, the organization in the best position based on infrastructure, competencies, capacity, etc. is the best one to manage that function.

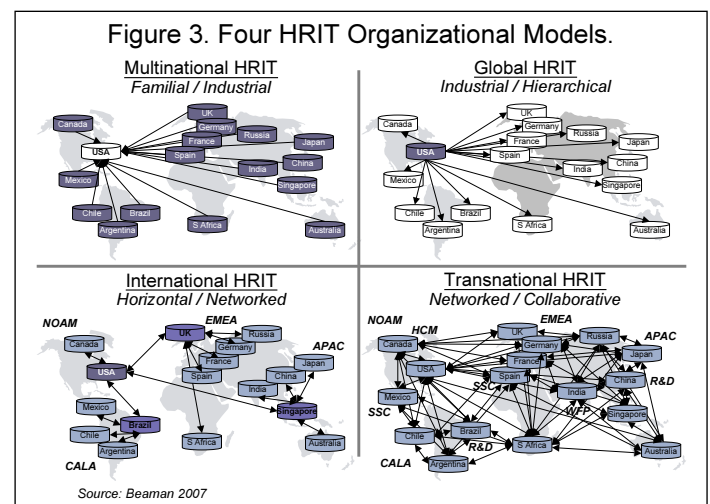


Figure 3 graphically depicts these four organization structures for HRIT. The darker the color of the box for the

country, the more power and control that country wields over the organization and its destiny.

The Collaborative Transnational HRIT Organization

To effectively deliver HRIT services and compete in the new world of Web 2.0 and Business 2.0, we must strive to build the collaborative transnational organization. This organizational model is the only structure that is global, agile, open, and able to respond to the tsunami swelling up from the perfect storm: ubiquitous technology, shifting demographics, and global economics. The collaborative transnational seeks to provide the delivery of HR/HRIT services either centralized globally, regionalized by geography, or decentralized locally (by country and/or business unit) as most appropriate based on the organization's competencies, capacity and infrastructure.

Figures 4 and 5 present a global service delivery model and a typical set of HR/HRIT services, along with a recommendation for global, regional, or local delivery based on the nature of the service. Companies should, of course, consider their own internal competencies, capacity, infrastructure, etc. in order to adapt this model to their specific environments.

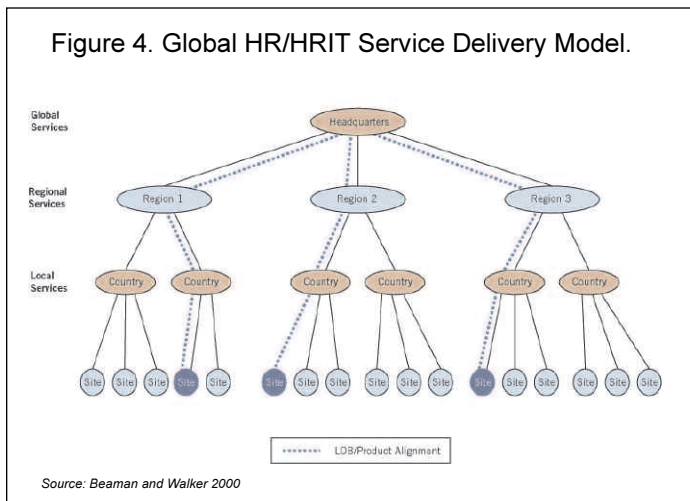


Figure 5. Typical HR/HRIT Service Delivery.

HR and HRIT Services	Centralization		Decentralization	
	Global	Regional	Local	
Employee Life-Cycle Processing				
Performance Management				
Stock Administration				
Succession Planning				
Compensation Management – Bonus & Incentives				
Learning & Development – Managerial & Professional				
Workforce Planning & Analytics				
Recruitment Management				
Governance, Compliance, & Data Privacy				
Learning & Development – Professional & Technical				
Competency Management				
Compensation Management – Base & Allowances				
Benefits (Health & Retirement) – Administration & Processing				
Payroll – Administration & Processing				

Building a Collaborative Transnational Model

To help you get started with building a collaborative transnational HRIT organization, I offer the five C's of collaboration: competencies, capacity, connections, convergence and culture.

Competencies

The first step is to assess, understand, and then build the necessary skills and competencies for working effectively in the collaborative, transnational age. Some of the most obvious skills and competencies needed include agility, adaptability, business acumen, technical savvy, customer focus, teamwork and a global mindset. The HRIT professional also needs to develop competencies around service-oriented architecture (SOA), Web services, Software-as-a-Service (SaaS), collaboration and publishing tools, and social networking software.

Capacity

Second, we need to build organizational and human resource capacity by making effective use of alternative delivery models, such as outsourcing, shared services, and on-demand infrastructures. For HRIT, we need to have a global enterprise architecture built on a SOA platform to provide a flexible, agile, global technology foundation that supports the delivery of both centralized and decentralized services based on business need and organizational competency and capacity.

Connections

Third, we need to provide an infrastructure that connects individuals across the organization. Voice-Over-Internet-Protocol (VOIP), such as Skype, and social networking software, such as LinkedIn, MySpace, and Facebook, and new modes of communication, such as wikis, blogs, and RSS (Really Simple Syndication) feeds to connect people in an ever more mobile, global, virtual digitized world. For HRIT this means embracing and integrating connectivity in the way we provide HR services, such as with workflows, automated approvals, calendaring, documentation, training and assessments – services that cross organizational, geographic and systems boundaries.

Convergence

Fourth, we must also manage the convergence in the workplace of myriad, disparate technologies from telephones (land lines, cell phones, VOIP) to computers (mainframes, PCs) to handheld devices (PDAs, iPods). Free, open technologies, such as Skype and Facebook, allow organizations to easily operate across borders without having to build costly centralized infrastructures. Mashups – a method of integrating data and logic from different Web applications in a very simple, lightweight manner – provide a seamless user experience, allowing us to provide HRIT services globally or locally, centralized or decentralized, depending on the business need.

Culture

Finally, we need to promote a culture of openness, transparency, sharing, trust, and respect for global diversity. In delivering HRIT services, the HRIT professional must understand the global regulatory environment and the differences in business practices in cultures around the world in order to put in place a global compliance and governance framework that meets both corporate and local business needs. This can happen only by first “thinking locally” and then “acting globally” to build a worldwide organization that not only respects, but also fosters diversity.

Conclusion

As I have hopefully shown, the question is not whether to centralize or decentralize the HRIT organization; rather, each business unit delivers and uses services based on its own unique competencies, capacity and infrastructure: corporate headquarters generally manages core HR and perhaps a global warehouse for consolidated reporting; country units typically manage highly localized functions, such as payroll and national legislative compliance. Other, less geographically dependent HR services, such as recruitment, performance management, workforce planning, and so on, should be managed by the location with the best skills and capacity to most effectively deliver and support the function for the global organization.

The perfect storm that is brewing with the new technological paradigm of Web 2.0, the shifting demographics with the emergence of the Net Generation, and the globalizing economy is creating a force for organizational change not seen since the Industrial Revolution. The new Millennials just beginning to enter the workforce are bringing a different set of expectations for technology infrastructure, service delivery, and global collaboration to the workplace. To meet these demands, we have to first “think local” to ensure we truly understand our business and customers’ needs and then “act global” to connect individuals across the globe, providing seamless delivery of services that meet these new and changing demands.

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About the Author



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Her first edited IHRIM volume, *Boundaryless HR: Human Capital Management in the Global Economy* (2002), addresses global strategic planning and implementation issues and her second, *Out of Site: An Inside Look at HR Outsourcing* (2004), takes an in-depth look at human resource outsourcing. Her third book, *Common Cause: Global Shared Services for Human Resources* (2006), looks at the planning, implementation, measurement, and ongoing management of shared services for HR operations. Her newest book, *HR Frontiers: Shifting Borders and Changing Boundaries* (targeted for release in 2008), takes a broad look at the field of global HRIT from strategic planning to people management, from implementation and operations to measurement, compliance and governance.

Ms. Beaman has a B.A. from Old Dominion and an M.S. from Georgetown University and was promoted with distinction to Ph.D. candidate in sociolinguistics and historical and computational linguistics. She is the co-founder and editor-in-chief of the *IHRIM Journal*, program chair for IHRIM’s Global Forum Summit, past chair of the *IHRIM.link* magazine Editorial Committee, and a former member of the IHRIM Board of Directors. In 2002, Karen received the Summit Award, IHRIM’s highest award honoring her lifetime achievements in the field. She is fluent in English, German, and French.