

On Globalizing HRIS:

Moving to a Transnational Solution



BY KAREN V. BEAMAN

INTRODUCTION

Much has been said and written about “globalizing” HRIS over the years, but has much been achieved? If the answer is “yes,” what has been the nature of those achievements? Consider the following:

- What global or even pan-European compensation programs exist that pay managers on the same identifiable, quantifiable performance metrics across all countries (while of course not necessarily on the same scales due to the varying economic situations and standards of living)?
- How many global HRIS organizations exist that manage worldwide HRIS issues on an ongoing basis? (Think about how many global teams are broken up and redeployed into the local business units once the implementation is declared a success.)
- What truly global software solutions exist that can manage HR, benefits and payroll needs on an integrated (not “interfaced”) basis, for all countries (or even for the major economic powers) and handle all the different linguistic, cultural, financial, legislative and taxation requirements?

One problem with which we struggle in global HRIS is that building a truly global system is a tall order. Not only is it costly and time-consuming, it’s darn near impossible to do. To build a truly global solution requires the amalgamation of an inordinate amount of knowledge about various business practices, cultural environments, legal systems and languages of the world. Any solution requires an enormous amount of flexibility, interviewing tenacity, translation skills and negotiating abilities to synthesize the mass of requirements gathered into a single, homogeneous global structure.

Even if this synthesis were humanly possible, the real problem lies in economics. Over the last decade, companies have invested billions of dollars into existing sys-

tems — we can’t just throw all this work away and start over again. Thus, as vendors attempt to globalize their products, new features and components are added to existing architectures, so today’s systems are a palimpsest of last generation’s technology, overlaid with new features struggling to meet next generation’s requirements.

Consider the following quote, “... successive generations of HRIS retain all the key components of each preceding generation, and as a result, even everyday situations become potential points of conflict...as each party to such conflict struggles to come to terms with new and different environments for which they were not designed, and in which they cannot possibly operate at optimal levels.” (Robert Stambaugh, “Post-Modern HR Systems: Part 3,” *IHRIM Journal*, September 1999). We find ourselves in the situation of trying to adapt/mold/convert systems built for yesterday’s requirements for the business situations of today and tomorrow.

Another problem in building a global HRIS is that many “multinational,” especially American, organizations consider their foreign subsidiaries mere “appendages” to the dominant domestic structure. This innate ethnocentrism keeps companies from seeing the problem of globalizing HR as a strategic issue. The inverse of this problem also exists: other more traditional multinationals assume that every country is unique and independent of the others, thereby losing the opportunity to leverage synergies between countries, regions and businesses. Such so-called multinational organizations can (at best) be described as “multi-local.”

Because of increasing competition, companies are being forced to manage their operations globally to capture the benefits of efficiency.

However, failure to respond to local needs only undermines globalization efforts. Local cultures hold differing views on such issues as ethnicity, gender, avoidance of uncertainty/ambiguity, need for formality, role of family, leadership, assertiveness/competition, decision making, directness of communication, etc. And, differing local interpretations can often be at odds with Western styles (Geert Hofstede, *Culture’s Consequences: International Differences in Work-Related Value*, 1985). In addition, it is not a trivial task to reconcile such diametrically opposed legal views as the U.S. “employment-at-will” versus Europe’s “employment protection directives” or to accommodate such conflicting requirements as countries where recording religious affiliation is required (Northern Ireland) versus those where it is forbidden (U.S.).

We have reached a conundrum. To be competitive in the new millennium, we need to have systems capable of meeting emerging HR business needs (such as knowledge management, competency-based compensation) on a global basis. At the same time, we must satisfy legislative and other business and cultural requirements at the local level. To complicate matters, we find that we are restricted by last generation’s technology that we have just spent millions to implement. How are we to resolve this quandary? One answer may lie in giving up the search for a “global” HRIS and instead focus on developing an entirely new model — an HRIS flexible enough to be both global and local at the same time, fostering innovation, sharing and learning across the whole organization, worldwide.

DIFFERENT HRIS MODELS

In their book, *Managing Across Borders: The Transnational Solution*, authors Christopher Bartlett and Sumantra Ghoshal (1991) discuss

three basic organizational models which provide a framework for thinking about globalizing HRIS. They describe three different strategic needs that drive organizations in selecting each model:

- the need for responsiveness through local differentiation,
- the need for efficiency through global integration, and
- the need for learning through leveraging worldwide innovation and knowledge sharing.

Let's look at each of these in more detail and think about how they apply to HRIS.

Multinational. A multinational HRIS is one that takes a responsive approach to implementing and managing HRIS by being sensitive to local and regional differences. In essence, a multinational HRIS is one that manages a portfolio of multiple, national HR systems, allowing local operations a significant amount of freedom and organizational autonomy. I call this the “multi-headed monster” approach. Anything goes in HRIS to the point that countries bear almost no resemblance to one another, making difficult even the creation of the traditional head-count report for headquarters.

Global. A global HRIS is one that takes an efficiency approach to implementing and managing HRIS by building a single, standardized, centralized system. Such organizations see a uniform global operating environment as the driving force and attempt to minimize national and local needs. One sanitary solution is devised, based primarily on the mother company's requirements, and each international subsidiary is expected to hop on board and do things the same way. I call this the “one-size-fits-all” approach. It forces a single view of HRIS on the organization to the point that local needs are generally not adequately met.

International. An international HRIS is one that takes a “learning and sharing” approach to implementing and managing HRIS by transferring and adapting knowledge and expertise to local organizations, while continuing to retain considerable influence and control over the local

organizations. I call this the “middle-of-the-road” approach. It allows for the exploitation of the parent company's core competencies through the adaptation of technologies, business practices, products, services, knowledge and expertise to the local environment, while building on the strengths and core competencies of the local entities. At the same time, it either calls for heavy modifications to the system to the point that maintenance is a problem or it creates a situation where neither corporate nor local needs are adequately met.

Each of these models has its advantages and disadvantages, and each is effective at exploiting a particular strategic capability — responsiveness, efficiency or learning/innovation. Indeed, many organizations have built successful HR systems based on each of these approaches. But, what happens when the business environment changes? How easy is it to change an HRIS built for efficiency to one focused on local responsiveness? Alternatively, how easy is it to modify a heavily customized HRIS to create one that achieves targeted operating efficiencies? We have seen organizations (that traditionally have been strong) that abandon their global capabilities in the search for local responsiveness. Likewise, effective local organi-

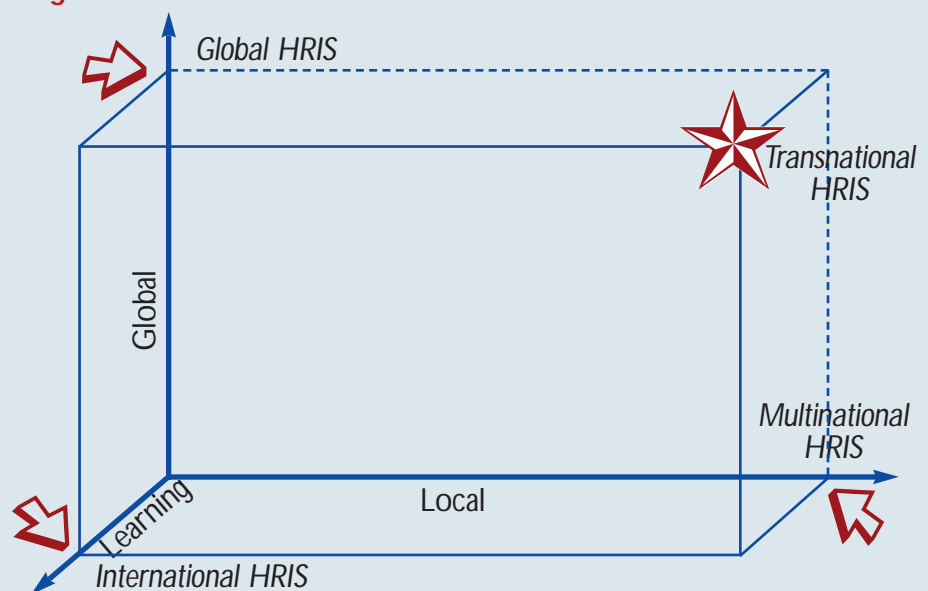
zations that have wanted to become more global have abandoned their local strengths in the search for global efficiencies.

The answer is that we need to be good at both — locally responsive and globally efficient — at the same time. The international business environment has changed to the point that the companies now need to build their worldwide HRIS based on all three strategies — global competitiveness, multinational flexibility and worldwide learning capability — simultaneously. To do this, we need to break out of our traditional mode of thinking about our HR systems and envision an entirely new way of implementing and managing HRIS — the “transnational” HRIS.

THE TRANSNATIONAL HRIS

In an environment of increasing complexity, diversity and volatility, organizations cannot manage through structures and systems that are one-dimensional and static. The ideal HRIS configuration involves tradeoffs that often have contradictory implications. The transnational HRIS is one that embraces and exploits such paradoxes. It is not about being global or local, centralized or decentralized, big or small, short-term or long-term, or about providing either cost efficiencies, quality, speed or

Figure 1. The Transnational HRIS



Source: Maruice Saias, 1999

whatever. It is about being all of these things at the same time.

Figure 1 depicts both traditional HRIS models and the new transnational HRIS along the axes of a three-dimensional cube. The horizontal axis demonstrates local capabilities and the diversity of the multinational HRIS. The vertical axis shows global capabilities and the efficiency of the global HRIS. And the third axis represents learning/sharing capabilities and the innovations of the international HRIS. As can be seen from the diagram, companies that follow any one of these traditional models are unable to succeed at all three critical capabilities. It is the ability to transcend all three axes that is the strength of the transnational HRIS.

The transnational HRIS brings efficiencies through an integrated network of competencies and processes, provides flexibility through specialized roles and responsibilities, and creates a learning organization through the facilitation of multiple innovation processes. In essence, it combines the best of being global and local in a learning/sharing environment. The challenge is identifying which functions belong at each of the levels. Let's discuss each of these three critical components of the transnational HRIS in more detail.

Global Efficiency. To keep from reinventing the wheel, we need to leverage best practices and technologies from around the world and build an integrated, interdependent network of HRIS knowledge, resources and expertise. A globally efficient HRIS requires a network of distributed specialized resources and capabilities, with a complex process of coordination and cooperation in an environment of shared decision making. Such a dispersed, integrated network not only provides cost efficiencies, but also creates the ability to leverage an increasingly scarce pool of technical and managerial resources. Other HR functions that benefit from global efficiencies include succession planning, training course design and pension program management.

Local Flexibility. Uniform treatment of foreign operations is one of the major impediments to building the

flexibility and responsiveness that HRIS needs today. Such uniformity forces simplistic and dichotomous choices (such as the never-ending debate over centralization versus decentralization). To be responsive to local needs, we need to legitimize diversity and appreciate multiple perspectives. Figure 2 graphically shows the divergent needs for global integration and local differentiation for various HR and HRIS strategies, functions and activities. As can be seen from the diagram, some HR functions that benefit from local flexibility include competency management, professional development, rewards, salary and financial incentives, and the delivery of training programs.

Innovation/Sharing. To stimulate innovation, we need to build commitment to learning and sharing in the organization. By innovation, we are talking not only about innovation in our products and services, but also in our organization and processes. The question becomes ... how do we share innovations and knowledge across a worldwide organization faster than the speed of light? This is where exploitation of the Internet and use of the latest developments in knowledge management come into play. Some HR functions that benefit from innovation and sharing include compensation program design, business process design and product/service development.

In essence, the transnational HRIS is one that allows organizations to dance to two pipers at the same time, while learning from both. The key element for success is the organization's ability to be sensitive to business and technological trends — no matter where they come from — and to innovate and learn, dispersing this innovation and knowledge quickly and effectively throughout the organization worldwide. Transnational innovation and learning processes are those that are locally leveraged and globally linked. Companies must learn how to balance both local and global innovation processes because too heavy a dependence on central innovations creates the risk of becoming insensitive to the local situation; too heavy a reliance on local

innovations creates the risk of needless (and costly) differentiation.

Of course, not all HRIS business units in the organization can respond to this call with the same level of resources and capabilities. We must take an evolutionary approach in developing our new model for HRIS by forging relationships among functional and geographical groups and by allowing units the ability to contribute in areas where they have the most expertise and thus can have the greatest impact.

CONCLUSION

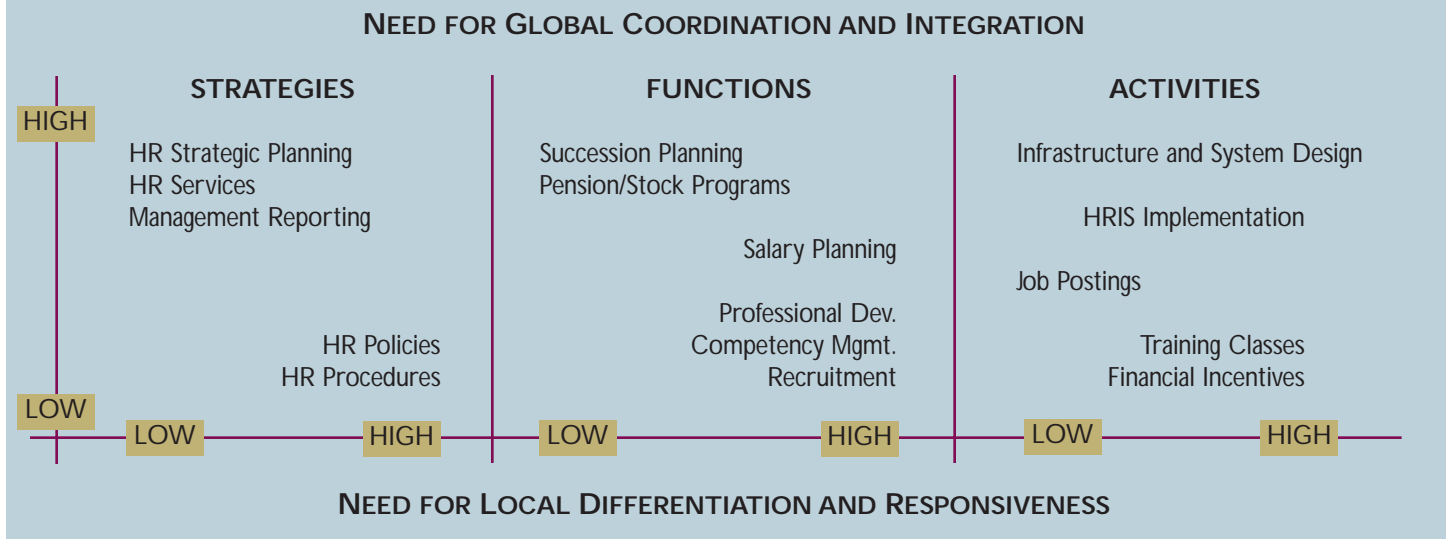
Cost reductions and quality improvements are no longer attributes of competitive advantage. They are necessary (and will keep you from acquiring a competitive handicap) but are no longer sufficient. Speed, flexibility and innovation build competitive advantage today. The transnational HRIS is one that brings "hyper-competitive" advantage in the deployment of resources and knowledge, in the integration of competencies and expertise, and in the development and implementation of innovative business processes and systems that promote sharing and learning across a worldwide organization.

The transnational HRIS, unlike the other models, is one specifically designed to respond to complexity and change. Most importantly, it requires an innovative mindset for thinking about the development, deployment and management of HRIS. The old adage, "nothing endures but change," has never been truer than it is today. We need to constantly reinvent what we do in an evolutionary, not necessarily revolutionary way because if we don't, someone else will.

About the Author

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Figure 2. Integration and Differentiation in HRIS



management, the last 17 of which have been specifically in the development, implementation, integration and management of enterprise-wide HR applications. Beaman has been responsible for all aspects of AG's business, including business strategy and development, sales and mar-

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