Global Human Resources Research Alliance

Judge-Us
Philip Stiles and Jonathan Trevor

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<table>
<thead>
<tr>
<th>Situation</th>
<th>Firms are becoming increasingly international, and so are markets. How are organisations managing and co-ordinating their operations in order to develop and compete effectively in international environments?</th>
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<td>Issue</td>
<td>How does HR contribute to the global operations of organisations? What are the major innovative HR practices? If HR is to play a strategic role, how should this be done?</td>
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| Overriding Questions | How does HR operate in global organisations?  
|           | What can we learn from the best companies in the world?  
|           | What does HR functional excellence look like?  
|           | How are knowledge and learning captured and diffused? |
What is HRM? Vertical and horizontal linkage

- Business strategy
- People processes
- Team/organisational performance

Supporting theory:
- Resource-based view of the firm
- Institutional theory
- Expectancy theory

Additional theory:
- Commitment
- Social identity
- Power/critical approaches

Global Human Resources Research Alliance
HR: Rhetoric and reality

I've been saying for years that "employees are our most valuable asset."

It turns out that I was wrong. Money is our most valuable asset. Employees are ninth.

I'm afraid to ask what came in eighth.

Carbon paper.
Competing for Talent: Example KPMG

Perhaps the most important challenge of all – and the one most commonly left to last – is people. Competition for skilled people is intense at almost every level in the industry. A complex industry, highly dependent on new technology, facing multiple regulatory challenges and spread across the globe, requires talented, well-managed people with appropriate rewards. …

We are determined to grow, but believe that growth will only be sustainable if it is built on quality and a commitment to attracting and nurturing the most talented people. The two go hand-in-hand. There is a clear link between the sort of organization we are, the people we hire and the clients with whom we work.

Mike Rake, Chairman KPMG, 2005
We have made leadership development the most important element in our work. We focus on some aspect of it every day. It is in our blood. We put people in the right job and let them develop a strategy, in that order. You can’t start with strategy and then appoint someone to execute it. So my most important job is to choose and develop business leaders who are bright enough to grasp the elements of their game, creative enough to develop a simple vision, and self-confident enough to liberate and inspire people.

Jack Welch, *Industry Week*, November 18, 1996
Major Assumptions

- This research project is devoted to analyzing and evaluating the nature of effective human resource management by identifying and examining companies worldwide perceived to have important and relevant approaches to managing human resources.

- Our thinking has been guided by two important assumptions.

  1. No two organizations are the same. They differ in terms of their context – for example, their life-cycle, industry, culture and strategy – as well as their employees’ skills knowledge and behaviour.

  2. Such variation does not mean, however, that no comparisons are possible and that no general conclusions can be made. Our assumption is that HR practices within each organization are not so unique that parallels with practices in other organizations would be meaningless.
Our research comprises a number of stages:

- **Review of literature and current best practices**: Close examination of existing data on what is known about best practice HR and HR competencies.
- **Examination of cases (process benchmarking)**: Close examination of existing data on where similarities and differences are in comparison to existing data.
- **Development of common themes and patterns**: Building theory and practical implications from the research.
- **Presentation of findings and further dissemination**: Development of the HR risk management instrument.
We gathered two types of data:
1. Interview data from a wide range of employees within each company at HQ, region and country levels
2. Substantial documentation from each company concerning their HR principles, practices and delivery
A web-based survey on 20 companies in 30 countries that seeks to understand the use of HR practices and their perceived effectiveness
The Global HR Research Alliance team

Our mission is to understand and develop HR excellence in global settings

- University of Cambridge: Philip Stiles, Jonathan Trevor
- Cornell University, USA: Pat Wright, Shad Morris, Scott Snell
- Erasmus/Tilburg: Jaap Paauwe, Elaine Farndale
- INSEAD: Guenter Stahl, Ingmar Bjorkman

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Belief in the efficiency of “high performance” work systems and HRM practices

Belief in the importance of alignment of HRM practices
- internally across practices (“internal fit”)
- externally with business strategy (“strategic fit”) and external environment (“external fit”)

Associated with value-based leadership and cultural control

Associated with management of change and organizational learning
“High Performance” HRM Practices

- Highly selective hiring and focus on attitudes and cultural fit
- Extensive training and skill development
- Self-managed teams and decentralization of decision making
- Reduction of status distinctions and wage inequality
- Employment security
- Comparatively high compensation contingent on mainly organizational performance and employee ownership
- Extensive sharing of financial and performance information

Source: Pfeffer (1999)
Key issues: Managing HR relationships

Employee relations
• In light of offshoring and the ability to move operations, what is the impact on employee relations?

HR functional excellence
• How are HR departments balancing the tension between centralised and decentralised operations?

Knowledge and learning
• How is HR knowledge developed and diffused within the MNC?
Key issues: HR practices

Staffing
• With MNEs’ ability to locate anywhere, what staffing practices are being used and how are they co-ordinated?

Training and development
• How is development managed across borders and how are cross cultural competencies developed?

Performance Management
• Can MNEs work with global performance management standards, or is local variation essential?
• How are reward systems aligned with diffused employee groups and organisational structure
Conceptual approach

Human capital

- the economic value derived from the knowledge, skills, and abilities of individuals

Social capital
- the network of valued relationships developed through trust, understanding, and interaction

Organisational capital
- knowledge embedded in organizational systems, processes, databases.
What did we find? (On-going)
Recruitment and Staffing: Best Practices

- Talent pool strategy rather than hiring for specific positions
- Tight relationships with universities to attract talent
- Highly selective hiring
- Emphasis on global branding. Perceived need to create and deliver a compelling “employee value proposition”
- Focus on attitudes, values and cultural fit
- Assessment of potential using multiple inputs
- Grading against competency profile of successful leaders
- Use of talent inventories for selection and succession purposes
- Different talent pools
Performance management: best practices

- Differential between A, B and C players: calibration is sophisticated and transparent

- Substantial actions are made both with regard to ‘stars’ and to underperformers:
  - the company actively moves high achievers into strong development opportunities
  - the company actively moves under-performers out of the company or into less critical roles

- Evaluation based on multiple inputs, at least to middle manager level

- Technical and managerial career ladders
What motivates talent?

Percentage of top 200 executives rating factor absolutely essential

Great company
Values and culture 58
Well managed 50
Company has exciting challenges 38
Strong performance 29
Industry leader 21
Many talented people 20
Good at development 17
Inspiring mission 16
Fun with colleagues 11
Job security 8

Great jobs
Freedom and autonomy 56
Job has exciting challenges 51
Career advancement and growth 38
Fit with boss I admire 29

Compensation and lifestyle
Differentiated compensation 29
High total compensation 23
Geographical location 19
Respect for lifestyle 14
Acceptable pace/stress 1

The benefits of being global... and local

Global Integration
- Lower costs
  - scale advantages
  - specialization
  - bargaining power
- Marketing: global/regional
  - branding
  - customers
  - distribution networks
- Innovation
  - transfer of local innovation
  - integration of resources and competencies
- Standardization as control mechanism

Local Autonomy/Flexibility
- Access to local resources
- Local citizenship
- Motivation and accountability
- Lower labor costs (not always)

Responsiveness
- speed
- adaptation
- flexibility

Transnational Solutions
(Bartlett & Ghoshal, 1989)

Oracle
IBM
Rolls-Royce
Shell
Rolls-Royce
Sanyo
Matsushita

Oracle
IBM
Rolls-Royce
Shell
Sanyo
Matsushita
Key findings

• Convergence – strong evidence of HR practices and processes’ similarity (institutional theory)

• Strong evidence of bundles of HR practice and process being key to effectiveness (resource-based view)

• Architecture of HR approaches similar, but variation in specific applications (universal vs contingency view)

• Developing economies may be doing more knowledge transfer, but perhaps no more integration.

• Human capital may not be the universally valuable resource for developing learning capability (generation vs transfer/integration).

• Social capital (shared vision) may facilitate knowledge transfer and integration. Implications for local knowledge generation and/or innovation.