Global Human Capital Management Best Practices

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Global business is on the rise with estimates for global gross domestic product (GDP) growth in the range of 3%. In its most recent Global Competitiveness Report, the World Economic Forum reports that the global economic prospects are more positive than they have been in several years. As world economies improve, businesses are looking to growth beyond their own borders as a strategic imperative. Yesterday’s emerging markets are quickly turning into today’s most critical business opportunities with the largest global buying communities around the world in emerging economies.

Organizations specifically looking to increase market share across borders find themselves not only competing for business, but for talent and sustainable labor costs as well. Globalization is no longer just the domain of very large organizations in developed countries. Today many organizations in every country compete in a global environment.

As we move towards this distributed world, with consumption spread globally, with consumers also becoming more mobile and the middle class expanding, customers and the workforce co-create solutions and experiences. Networks and social technologies have become mechanisms for innovation. Relationships and partnering among organizations and among workers are critical to deliver on complex demands and to address complex issues in this global environment. Technology plays a role in delivering efficiency and innovation and enables organizations to deliver on talent strategies.

Human Resources (HR) is at the center of this global revolution—involved in both acquiring and deploying talent necessary to achieve global expansion goals. Running a successful HR organization is hard enough, but running a successful global HR organization adds multiple levels of complexities. Key concerns to address include the following:

- Keeping up with regional workforce management requirements, especially during rapid growth or from mergers and acquisitions
- Managing regional and local workforce relationships, each with governing bodies
- Retaining and developing a talented workforce with global awareness
- Acquiring a workforce with skillsets required for the future in all global operations
- Managing a global talent pool that expands into customers, communities of brand followers, and influencers
- Dealing with inconsistent internal and external processes across multiple locations
- Managing multiple un-integrated workforce systems and tools

All of these issues are compounded by the fact that globally we are seeing a massive shift in the demographics of available workers. The talent pool of workers with critical skills is shrinking. Mature markets are experiencing lower birth rates and increases in baby boomers retiring. Emerging markets are frantically working to develop educational infrastructures that will prepare their potential workforce for future opportunities. Meanwhile, the last

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several years of economic depression have created a whole generation of young workers with less experience and opportunities than their predecessors. In the last year, over 74 million next-generation workers between the ages of 15 and 24 were unemployed. By missing out on those early job opportunities, the new generation is simply not able to acquire the critical skills once achieved by prior generations of workers on their first forays into the working world.

Enterprise technologies—from administrative and service delivery solutions, to talent management, and business intelligence tools—increasingly matter. They provide the resources necessary to connect the workforce in real time across borders with their organization and with job opportunities. Further, the way in which employees work together and with technology is changing. Teams work virtually across the globe, leveraging technology to erase the miles and increase opportunities for collaboration. Once simply the domain of information technology (IT) leaders, today’s HR organizations are being pulled into social and collaboration technology discussions more frequently. These technologies also can have a major impact on the workforce’s ability to work creatively and produce timely outcomes.

Adopting global HR best practices can help organizations manage their global human capital management transition, their changing workforce demographics, and contribute to organizational success.

Organization Types Vary, with Two Models Showing Greatest Effectiveness

CedarCrestone has, for several years, published research on the best practices of “going global” with HR technologies. The research summarizes the state of practices around going global of four organization type models that differ in organization structure, strategy focus, where decisions are made, and level of standardization of processes. The four types are as follows:

- **Multinational** – focused on flexibility and local responsiveness, highly decentralized with multiple independent locations, united primarily through financial reporting to corporate headquarters
- **Global** – focused on efficiency, highly centralized/standardized, with major decisions made at corporate and rolled out to local operations engaged in local markets
- **International** – focused on learning and sharing, moderately centralized, leveraging competencies and sharing learning from both corporate and local operations
- **Transnational** – focused on efficiency, flexibility, and learning, combining aspects of all the above, leveraging efficiencies, maintaining flexibilities, and sharing learnings and innovations worldwide

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Over the years of our analysis, we have found that two types of organization models—the Global and Transnational—are more successful than others at mitigating the challenges of global operations as they “go global” with HR technologies. Just as organizations mature as they move from an organization type of Multi-national to Global to International to Transnational in terms of their structure, strategy focus, decision making, and level of process standardization, we see a path of maturity associated with the adoption of HR technologies resulting in higher levels of efficiency and innovation. Efficiency yields organizational cost savings; innovation often leads to revenue improvements. Summarizing from CedarCrestone’s Going Global research, we find the Global type of organization more frequently adopts efficiency practices while the Transnational type of organization more frequently adopts both efficiency and innovation practices. In our global research, we suggest the following practices for consideration.

### Efficiency and Innovation Factors

<table>
<thead>
<tr>
<th>Efficiency</th>
<th>Innovation</th>
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<tr>
<td>• Standardize both administrative and talent management processes. Understand the variations and strive for standardization, allowing variations only when mandatory for a country or region.</td>
<td>• Expand the percent of workforce using self service. Adopt regional shared service centers managed centrally.</td>
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<tr>
<td>• Consolidate multiple HR management systems in countries or regions to a single global system, managed centrally but governed with global representation.</td>
<td>• Adopt a Cloud HRMS with the latest global best practices.</td>
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<td>• Reduce customizations of the single global solution. If processes have been standardized, this is easy to accomplish.</td>
<td>• Adopt integrated talent management on your new Cloud HRMS platform.</td>
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<tr>
<td>• Strive to serve more or all of the work force from the single HR management system (HRMS).</td>
<td>• Adopt business intelligence/analytics tools and roll out solutions directly to managers.</td>
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<tr>
<td>• Consolidate talent management onto your HRMS platform.</td>
<td>• Adopt social tools and use them strategically for branding, recruiting, service delivery, communications, and learning.</td>
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Pulling from the previous research and adding from other researchers, we propose the following 10 global HR best practices:

1. **Standardize complex global processes while providing flexibility for local requirements**
2. **Transform service delivery**
3. **Manage the workforce in multiple countries efficiently**
4. **Move technology solutions to the Cloud**
5. **Engage in meaningful global talent management**
6. **Create an appealing globalized workplace while ensuring employee engagement**
7. **Invest in reporting/analytics**
8. **Make knowledge and people easily accessible**
9. **Leverage diversity as a business tool**
10. **Include change management as a critical success factor**

**Global HR Best Practices**

1. **Standardize complex global processes while providing flexibility for local requirements.** This approach is called providing “freedom within a framework.” As much as possible, processes should be similar globally, with only processes specifically unique to a location and its unique workforce varied. Jeitosa Group International, a continuing source of inspiration to CedarCrestone’s global HR technologies research, recommends that organizations seek “to be as global as possible, as local as necessary.” Organizations should evaluate which processes can bring the greatest benefit to the organization by being performed globally and which ones need to be kept local. For example, recruiting white collar workers in major metropolitan cities in developed countries is much different from recruiting and onboarding high-volume manufacturing positions in emerging economies.

Creating an enterprise-wide framework for process management that provides for reasonable flexibility across multiple regions to accommodate true needs requires an organization to establish a collaborative governing body. The governing body first works to instill the value of a common set of processes for reason of cost efficiencies, but also respects and learns where regional or local requirements need flexibility. The governing body must keep current on what these requirements may be and must recognize the expertise of local constituents when brought to it. Collaboration between corporate and regional entities is the key to the success of the “freedom within a framework” model.

Process standardization is an efficiency measure. Profit per employee is a good measure for efficiency within organizations. From the CedarCrestone 2013–2014 “going global” research to be published in February 2014, we find the Global type more frequently have common or somewhat common processes. The Global type also has 14% higher profit per employee than all organizations operating globally.

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2. **Transform service delivery.** A sound HR services delivery model is also needed. HR should get its own act together, initially focusing on becoming cost efficient through normalizing its own processes to be delivered from a common service delivery model. A shared services model managed centrally but delivered locally can quickly become the framework for reducing redundant process work and increasing levels of HR efficiency. Investments in service delivery systems such as self service and call center technologies enables HR to increase service levels while reducing its overall cost of providing services, particularly with HR labor costs. Since tracking the ratio of employees served by HR administrative staff, the *CedarCrestone HR Systems Survey White Paper* has reported that the service delivery model delivering the greatest benefit is that of the combination of employee and manager self service, the delivery of services from shared services, and the addition of an automated HR help desk facility—in 2013 serving 41% more employees than service delivery without technologies.\(^5\) The Transnational type leads in achieving value from this combination of services with 1 HR administrative staff serving an average 481 employees.

The *CedarCrestone HR Systems Survey White Paper* has, for the past two years, highlighted an emerging trend towards replicating shared service centers that initially were only operating in the headquarters country. Organizations are now expanding the service delivery model to multiple shared service centers operating during global work hours to avoid the need for overtime payments and to also provide services in native languages or services unique to a region. Among organizations with shared service centers, the average number of centers in 2012 was 1.9; the average number in 2013 is 3.3.\(^6\) All global organizations will increase their number of shared service centers over the coming year an average of 22%, with the Transnationals increasing their number of shared service centers the highest at 75%.

Finally, get self service into the “literal” hands of the employees. One of the fastest growing trends in HR technology is mobile delivery models that embrace the need to reach employees where they spend a growing amount of time: their mobile devices. Recent research shows that today’s workforce is spending more time than ever on mobile devices, with over 50% of Internet access now taking place on mobile devices.\(^7\)

Employees are your internal consumers, and they expect their internal work environments to mirror the tools and technology they access as every day consumers: Facebook, Amazon, or YouTube. Self service environments that include responsive web design, such as automatic detection and site optimization capabilities, allow employees to freely switch between their PC, phone, and tablet environments for HR self service needs, increasing engagement and usage along the way.

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\(^6\) Ibid. Figure 16.

3. **Manage the workforce in multiple countries efficiently.** Many multinational organizations have multiple HRMS in countries and/or regions. Consolidating onto a single HRMS and adopting a global payroll solution are emerging best practices. In the same figure cited above from the *CedarCrestone 2013–2014 HR Systems Survey White Paper*, we show an average of HRMSs at 3.8 in 2012 and an average of 3.1 in 2013. At the same time, global organizations are beginning to move a greater percentage of the workforce to a single HRMS. In this case, the Global organization type reports the highest average of the workforce on a single HRMS at 88%.

For payroll solutions—although many solution providers still depend on partnerships with regional payroll management services—an HR function that works through a single vendor can reduce the risk of growing compliance concerns over payroll and workforce management regulations. Organizations are moving to a single global payroll system less for cost reduction and more for risk mitigation through enabling consistent global reporting.  

4. **Move technology solutions to the Cloud.** Global organizations are rapidly escalating this move, although currently behind organizations operating in a single country. A Cloud HRMS deployment model has distinct cost efficiencies when looking at the number of employees needed to deploy, manage, and support such a solution. CedarCrestone’s recent Survey found that organizations with a Cloud (Software-as-a-Service – SaaS) HRMS required one-third the staff of those with a licensed on-premise HRMS. A further benefit comes from the faster implementation times with a Cloud HRMS vs. a licensed on-premise solution, thereby getting the organization to other key benefits of such a solution more quickly. The average length of time for a Cloud HRMS implementation is 8.4 months compared to 14.6 months for a licensed on-premise HRMS. Cloud adoption enables organizations to thereby achieve the value of improved innovation faster, such as improved user experience and best practice functionality. CedarCrestone’s latest Survey further found the number one reason for moving to a SaaS HRMS was an expectation of an improved user experience—not only for HR, but also for employees and managers. This reason is proven out among those moving to such a solution in that those on newer Cloud HRMSs received the highest user experience scores vs. licensed on-premise solutions. A proof of value for moving to the Cloud is that organizations on SaaS HRMS solutions have the highest user adoption, and as user adoption increases, organizations achieve increased value over organizations with lower user adoption. A second reason for moving to Cloud solutions is to achieve best-practice functionality. As SaaS HRMS vendors practice incorporating client feedback on a regular basis, this reason to move becomes possible to achieve and evolves with a changing market. As more global organizations move to adopt Cloud solutions, we expect to see more global best practices moving to the Cloud HRMS solutions. Currently, the Transnational organization model has embraced a Cloud HRMS the most at 26% compared to 18% for all global organizations. The Transnational organization type also has the highest user adoption at an average of 59% for employees and 53% for managers, with the latter 8% higher than all global organizations.

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8 [Driving Globally Strategic Payroll](http://www.adp.com/adp_solutions/analyst-reports/jeitosa/assets/JeitosaExecBrief.pdf)

5. **Engage in meaningful global talent management.** Software, whether residing in the Cloud or on premise, is no longer bought just for its support of organizational efficiency. According to industry thought leader Josh Bersin, that role is shifting. “Today companies buy these systems to help transform their talent strategies and directly improve employee engagement and the ability to hire.”

Many organizations begin and end their talent management initiatives by painting a broad brush across their entire workforce, labeling everyone as “talent.” Processes are then generalized and front line managers are often left with little support in fulfilling on the enterprise talent management promise. These types of broad talent management approaches can be costly and very ineffective, especially for highly dispersed global organizations.

Engaging in meaningful talent management requires organizations to start with identifying the talent required to achieve enterprise level and regional business goals. Goal requirements then drive enterprise level talent strategies, as well as those unique to specific business units and regions. This business-driven approach ensures that talent management efforts drive outcomes. Managers then need the tools, resources, and time to implement these strategies locally.

Aberdeen’s Human Capital Management Trends 2013 Report found that today’s business pressures drive organizations to reevaluate existing talent strategies; key talent management process areas of talent acquisition, performance management, and learning and development top the list of priorities for change. Over 50% of organizations ranked by Aberdeen as “Best in Class” ensure that talent strategies align with business strategies—considerably higher than the industry average or laggards.

These are examples of how global organizations are addressing these critical business drivers with business-aligned talent strategies:

- Widening talent acquisition processes to include social and brand management efforts based on a need for greater talent diversity
- Implementing enterprise-wide skill assessments that match skill development efforts to the greatest enterprise skill gaps to increase global capabilities.
- Employing agile performance management processes that increase cycles for individual and team-based goal alignment discussions to improve employee output and engagement

HR plays a key role in facilitating the strategic processes and enabling local implementations. Without effective systems and tools providing aggregate data for planning processes, insights into regional requirements, and a single source for gathering talent data, organizations are simply unable to manage these multiple-talent strategies at a meaningful level. Top Performer participants in this year’s *CedarCrestone HR Systems Survey* have 10% more talent management technologies in place, 40% more talent management staff, and

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10% higher talent management best practice scores. They have the strongest results in improvements in their ability to attract, develop, and retain top talent with improvement scores 18% to 20% higher than non-Top Performers.\textsuperscript{12}

6. Create an appealing globalized workplace while ensuring employee engagement. As organizations continue to expand globally, they often struggle to find the balance between meeting enterprise business goals while developing global leaders and engaging local employees. Globalizing a workforce requires an organization to not only benchmark regional compensation and development plans, but also approaches to engaging regional employees.

Over the last several years the definition of an engaged employee has shifted dramatically from someone who is “happy and content” with his or her work environment, to an employee that is “involved and vested” in an organization’s business goals. Engagement scores are now top of mind for most senior executives concerned with business growth and talent retention. In a recent survey by Bersin and Associates, over 70% of organizations stated that Employee Engagement was one of the top HR measurements reported in executive scorecards, beating out critical data such as performance ratings, retention ratings, and HR operating costs.\textsuperscript{13}

Employee engagement metrics mean very little as standalone data, but when combined with regional insights and data concerning employees’ plans or actions they can paint a very important global picture. Blessing White’s 2013 Employee Engagement Research found that comparing regional global engagement data to employees’ intent to stay responses created a counter-intuitive insight; China had relatively low levels of engagement, but high levels of employees with the intent to stay. Conversely, in South America, where the economy was growing quickly, even engaged employees were looking at new opportunities.\textsuperscript{14} Employee engagement therefore needs to be addressed differently for each region.

Today organizations deploy multi-faceted strategies for gathering engagement data including: annual engagement surveys, regular pulse-surveys, management 360 assessments, social listening programs, and traditional employee roundtables. When compared to solid HR and operations data while still keeping employee anonymity, organizations can institute engagement strategies with real impact.

7. Invest in reporting/analytics. Organizations need to have a global view of the workforce and provide managers with access to workforce data for improved decision making. Organizations operating in multiple geographies face the challenge of gaining visibility to their global talent. With multiple systems likely in place, gaining a global view of existing talent and applicant pools is difficult. Yet a unified view of worldwide talent


\textsuperscript{13} Employee Engagement – A Changing Marketplace, Bersin and Associates. \url{http://www.bersin.com/Practice/Detail.aspx?docid=12739&mode=search&p=Human-Resources}

\textsuperscript{14} 2013 Employee Engagement Research Update, Blessing White. \url{http://www.blessingwhite.com/EEE_report.asp}
is important for building an effective workforce management strategy, as is giving managers direct access to this data for improved global business decisions. The *CedarCrestone 2013–2014 HR Systems Survey* found that Top Performer organizations are able to put decision support tools directly into the hands of managers more frequently. These organizations not only achieve competitive advantage, as shown by a value chain statistical analysis, but their revenue per employee is 26% higher than those not able to support managers with direct access to business intelligence and workforce analytics solutions. While the average percentage of managers with direct access to BI and analytics tools is 21%, the Transnational type excels with 35% of its managers with such access.

Organizations often choose to replace technology due to a lack of effective reporting and analytics capabilities. Within the first year of most system implementations, reporting features become a critical issue. Global organizations often face unique reporting and analytics challenges due to regional data sharing restrictions and management of unique data bases that lack similar data structures. This should not discourage organizations from moving down the path towards improved reporting and analytics capabilities. Many organizations start simply by identifying the top 20 or 30 HR system fields that need to be mapped across multiple systems. These begin to create a common language that can be used as a foundation for reporting. Global organizations then often spend time circulating reports, even if the data is not perfect, as a tool to encourage line managers and regional HR professionals to quickly clean up data. Eventually organizations look to more permanently integrate critical fields across their various technologies or push to adopt full enterprise resource planning (ERP)/HRMs suites that work from a single data structure.

8. **Make knowledge and people easily accessible.** Organizations need to leverage the full potential and knowledge of their global workforce despite the fact it can be tough to do so across geographically diverse operations. When employees can collaborate and share knowledge, they build organizational creativity and innovation. They must easily be able to find expertise and build their own individual network to be more successful in their jobs. Peer-to-peer communication across borders is essential and further builds a global mindset when such communication is facilitated.

Previously, employees acquired the bulk of information to perform their job mostly from their direct managers and peers, but flattened leadership models and expanded performance expectations leads to a heightened need to access a broader community. A recent Brandon Hall Group research report on next-generation learning trends found that over 50% of organizations felt their employees need to access learning information on a daily or weekly basis to just perform their job effectively.

Making knowledge and people more accessible requires first that organizations have a location to track the knowledge and people profiles across the organization. This can be difficult for many global organizations that have multiple systems across regions—but a single business-sponsored location for employee profiles

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15 Ibid.
16 [Relationship Centered Learning, BrandonHall Group](http://go.brandonhall.com/relationship_centered_learning_2012)
and enterprise knowledge not only increases the accessibility of that information, but also the security. If people and knowledge are considered a competitive advantage, data access and security should be a business priority. In Information Week’s 2013 Mobile Security Survey, over 45% of respondent organizations said they had a data loss within the past 12 months and 11% of them were required to publicly disclose the loss as well. In the same survey, over 36% of organizations also felt that users forwarding corporate information to non-supported Cloud-based storage services such as DropBox or iCloud to save for reuse or sharing purposes was their top concern. In other words, if your organization doesn’t get into the business of providing easy-to-use-but-secure knowledge sharing and collaboration tools, your employees will simply leverage the tools they know best to get the job done.

Further, many core HR management systems available today provide collaborative support tools that can be embedded into many traditional HR processes, taking collaboration to a new level and changing the way employees interact with information and systems. For example, with time and labor, workers now use social tools to engage in shift swapping and bidding; for performance and goal management, performance appraisal support includes supporting shared goals by enabling individuals to find experts on these goals and work updates on these goals. Socially enabled processes give organizations new ways to capture knowledge and give employees access to tools that use concepts they already use and love.

9. **Leverage diversity as a business tool.** Many organizations still view diversity initiatives as a simple program to be managed and monitored, but for highly effective global organizations it has become a critical business tool. Forbes’ *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce* report found that over 56% of organizations with more than $10 billion in annual revenues strongly agree that diversity helps drive innovation in their organizations.18

A best practice for these global organizations is to focus the diversity dialogue on an inclusion model, one that looks at creating enterprise-wide behaviors that make people of all walks of life feel welcome and included in the corporate culture. Inclusive behaviors can provide many benefits for a global organization internally, including increased productivity, more opportunities for creativity, and a highly sought-after corporate culture that pulls talent from around the globe. Externally, an inclusive culture can improve business relationships and create a stronger bond with brand followers. Global organizations competing locally can benefit a great deal from ensuring local employees feel welcome and empowered. Local employees can be the most important ambassadors an organization has in a region.

Processes and systems that help organizations embrace and acknowledge diversity can enhance an inclusive work environment greatly. Offering tools and content in an employee’s native language go a long way in enhancing engagement. Acknowledging regional and ethnic traditions can help employees feel comfortable

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sharing their personal experiences with peers and leadership. Providing multiple ways for employees to access and share knowledge acknowledges that people learn and acquire information in different ways.

10. **Include change management as a critical success factor.** Change management is different when deploying global HCM solutions or for deploying any global initiative for that matter. It requires more than a simple communication plan or push of information. It requires an interactive dialogue, which involves the regional stakeholders from the beginning of the process and throughout the initiative. As soon as an organization is considering a global HCM deployment, they should begin to identify their global stakeholders and gather as much information as possible about their regional requirements. They should also ensure that a clear directive has been set from senior leadership concerning the importance of a solution that is centrally managed, but driven by business requirements.

CedarCrestone research has found that change management is so important for global organizations during deployment of global technology initiatives that they invest substantially in specific change management processes to ensure that they are managing the process effectively. In personal interviews, several Survey respondents report that as much as half of their budget is spent on change management with the remainder on the technology itself. Regardless of spending levels though, the level of sophistication of change management practices has evolved over the years from simple communications and training programs only to now embrace Six Sigma, lean manufacturing approaches, dedicated change management experts in each region, user experience labs with people capable of demoing and testing for different regions and cultures, and even courses in change management for the entire global HR technology team so each of them become qualified ambassadors for positive change. ProSci, a world leader in change management research, has conducted a benchmark study on the effectiveness of change management since 1998. A consistent finding is that organizations using change management are 1.6 times more likely to stay on budget with their projects, 4.4 times more likely to stay on schedule, and 6 times more likely to meet project objectives. Among CedarCrestone 2013–2014 *HR Systems Survey* respondents, those organizations indicating they spend at least 25% of their time on a change management initiative outperform those that do not by 12% higher revenue per employee—certainly a key project objective of any organization.

**Conclusion**

We have identified ten best practices that can help an organization not only improve its overall efficiency, but also increase its ability to compete in today’s rapidly changing global market. More importantly for most HR leaders, these practices can help them manage their function more strategically, ensuring they are viewed as valued business leaders who support business growth and expansion.

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