

THE CHALLENGES OF A GLOBAL MARKETPLACE

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The concept of organizations that operate and do business internationally is certainly not a new one. For over half a century, many of the world's largest companies have had a global presence. As such, you would expect that the procedures and methods for recruiting and managing employees in a global context would be well defined and thought through. That would indeed be true if the term "global" as it means today were the same as it meant 50 years ago. However, like most things in our lives, "global" just isn't what it used to be.

Fifty years ago, global operations meant that a company did business in a number of countries and markets around the world. Many of the truly worldwide players were based in the United States and had operations in every major international market. The staffing of leadership roles consisted of senior employees from the US, as expatriates and middle-management positions and below held by employees from the country of operation. While many of the basic operating principles have remained constant, the underlying philosophies have dramatically changed. You might wonder why.

In part, the reason stems from the fact that we are truly becoming an international economy. Technological and communications advances in the last 50 years have had a profound effect on the way that consumers act and companies operate. In the past, consumers, businesses and their employees primarily lived and made decisions on either a local or regional basis. Today and into the future, the world will have fewer and fewer boundaries to constrain businesses, cultures, or consumer demands.

Because of these advances, broadening consumer sophistication and increased competition, companies have had to fundamentally change the way they conduct business. It is no longer acceptable for suppliers to ship pieces/parts to head office locations to be distributed internally. Manufacturing operators now demand that parts arrive “just in time” and to the location of the plant. The cost and logistics of warehousing are increasingly being assumed by the supplier. Moreover, the rapidity of technological advances has allowed competitors to have quicker response times than ever before. It is also interesting that whereas 50 years ago most multinationals were US-based, today many of the world’s largest organizations are based offshore. Similarly, in the past, large acquisitions typically originated from U.S. businesses. Today, many of the largest global acquisitions have involved internationally- based organizations acquiring US or other internationally based companies, and this trend appears to be growing.

Customer’s purchasing patterns and demands have also gone through a transition. The introduction of catalogue, online, discount houses and home shopping networks have caused a shift in buying patterns. As consumers, we want more choices and greater convenience. An example of these changing patterns is evidenced by an international organization that sold more of its product in three hours on the Home Shopping Network than it did through one of its retail outlets during an entire month. Customers have greater access to goods and services than ever before.

If these changes have affected business-to-business and consumer patterns, it is not surprising that they have also affected how companies manage their human resources and organizational structures. Following are some of the major operational considerations that organizations are facing in this new global economy:

Outsourcing

Worldwide access to technology has affected us in a number of different ways, but it has had a profound effect on the use of external human resources to both augment and replace internal resources. The lower labor cost in overseas companies has made the outsourcing alternative a highly attractive one. It is not that resources in other countries have not been used previously; it is the fact that these people are no longer employees, rather they are under contract. By not having them as part of their organization, the result is a savings to organizations in both supervisory time and money.

The human cost of outsourcing is a challenging one. Often committed employees are faced with the realization that their jobs may be taken by companies that specialize in using the talents of people halfway around the globe. Many of the tasks that these employees perform can easily be done remotely. As well, the upgrading of educational systems globally has opened up a new talent pool of gifted, inexpensive resources. The savings are hard to ignore for businesses faced with increased competition, declining markets, and changes in consumer loyalty. Companies are forced to look for other methods to remain competitive in the marketplace.

Outsourcing is not limited to offshore service providers. For the last ten years, US-based organizations have looked at a variety of options to minimize costs in order to stay competitive with their international counterparts. Many of the support functions of companies have been outsourced to companies specializing in these services. This has allowed organizations to focus capital and resources on those areas where they have a strategic advantage.

Most organizations struggle with the values and moral dilemmas that come with removing jobs and careers from existing resources. When assessing organizational restructuring, the key consideration for businesses is to determine which options are consistent with their stated

value system. Having a set of values does not preclude an organization from taking advantage of outsourcing, but it does have a direct effect on how the restructuring should be considered and how the affected employees will be treated.

Organizational Restructuring

Formerly, global businesses had independent organizations in each country or region in which they operated. These structures most often mirrored that of the parent company. The head of the country or region would report into corporate headquarters, but, for all intents and purposes, he or she had the autonomy to run the business. In recent years, however, there has been a growing trend towards global reporting lines based on specialty or function. As business lines grow in complexity and specialization and as markets become more demanding, it is becoming more difficult for regional managers to have the knowledge and expertise to effectively lead the leaders of these product and/or services.

This shift has led to many companies becoming truly global for the first time. The expertise of an organization is no longer confined to the headquarters, but rather, could be located in any country or region in which the company operates. The general thrust is to put the talent where it can have the greatest impact on the success of the business. Key roles in all parts of the world report directly into a headquarters' location. They may have a matrix reporting relationship to a local site leader, but their primary relationship is to an expertise head. This may result in employees having a boss-subordinate relationship with a leader whom they may see only once or twice a year.

To make this "virtual" reporting relationship work, it is important that role expectations and structured communication are clearly defined at the outset. These parameters are critical. since the normal relationship building process will not be possible. These parameters need to

include not only alignment around goals, but, more importantly, a sharing of expectations around such things as frequency and types of information to be shared. In addition, there should be a dialogue about how the individual's performance is going to be assessed and the means of gathering the data to perform the assessment.

Communication Challenges

While the advances in technology have made it easier to keep in touch with people globally, an entirely new set of challenges have surfaced. The major one is the complications that arise due to dealing with individuals working in multiple time zones. Meetings, teleconferences and one-on-one updates are no longer as simple as wandering down the hall or picking up the telephone. Trying to coordinate meetings with people around the globe has tended to favor the time zone where the corporate headquarters are located. The result is an increasing lack of respect for people's time and personal lives. While the average hours worked has been increasing for everyone over the last ten years, the coordination of worldwide resources has meant late nights for many in locations in Europe and Asia. Little or no thought has been given to ensuring that the burden of off-hour meetings is shared equally with team members. To combat this typically North American bias, the meeting times should be rotated and arranged based on team membership not geographic location.

Another respect issue comes into play concerning the location and frequency of meetings. Many senior leaders in organizations are finding that they are spending more and more time traveling to attend corporate meetings. Increasingly, the requirement for timely decision-making and quicker solutions has meant spending more time on strategy and planning. Global organizations then must deal with the best way to overcome this dichotomy. While videoconferencing technology has advanced as have net-meeting capabilities, the difference

between personal attendance and “virtual” participation is noticeable. It is very hard to feel truly involved when the majority of participants are in one room and several team members are participating from remote locations. Without a truly focused effort to include distance participants, they may not be involved at levels that ensure quality solutions. In fact, teleconferencing has encouraged multi-tasking more than true participation. Many times, group members that are connected through telecommunication are working on their email or other projects while “attending” the meeting.

The answer to this challenge is to recognize that the communication channels will be more complicated than the traditional “walk down the hall” or “setting up a personal meeting” methods of the past. It is important to treat the communication obstacles as business issues and to come to an understanding with individuals or groups on how to minimize the downsides of the challenge. Like most difficulties, it can be solved with discussion and thought. The problem is manifested when we rely on technology to solve the entire problem rather than recognizing that it is only part of the solution.

Assessment and Development

Having global experience has always been seen as being valuable. However, for many years, middle managers and senior leaders who took global assignments found themselves moving from one international post to another. It was not uncommon for leaders to relocate to an international post only to find them spending the rest of their careers offshore.

The trend towards a truly global economy has changed that. Having global experience has moved from desirable to a critical component of a senior leader’s development. It is unlikely that a senior leader can rise to the executive level of a global company without a significant assignment in at least one of the world economic regions. It is now being factored into the

development of “high-potential” performers earlier than ever before. Customers are requiring that companies demonstrate a knowledge and sensitivity to the cultural characteristics of their market. It is no longer good enough to simply be located in the geographic arena; you must have a true understanding of cultural implications to be successful.

Having an organization’s best performers located around the globe presents its own unique challenges. It is very difficult to assess a leader’s total performance when the assessor sees him or her infrequently. You can, of course, assess his or her business results, but the trend for the last ten years is to find a balance between results and the manner in which you obtain them—both the “what” and the “how.” The disastrous results of companies such as Enron and WorldCom have placed more focus on ensuring that organizations are conducting themselves both ethically and in the best interest of the shareholders. While global operations have not seen the same level of scrutiny, it is likely that they will have an increased level of review in the future. Systems need to be developed that both assess and capture the true impact/value that global executives are having on their businesses. The development of global leaders also requires some thought and planning. The resources for completing their developmental goals may not be available where they are located. It may also be logistically difficult for the developmental plan to be formalized and acted upon.

The key issue to be conscious of is that these leaders do not suffer as a result of being located away from the headquarters location. They have the same right to a thoughtful and accurate assessment of their potential as do those within a closer proximity. It is important to increase structured communication with these managers to ensure that their developmental needs are not ignored. In days past, there was a tendency for expatriate resources to be forgotten. In today’s economy, that is fortunately less likely to occur due to the importance of the world’s

economy. As well, these leaders have been placed around the globe in recognition of their “high-potential” status. As such, there has been a considerable investment made to ensure that they are given every opportunity to be successful. However, it does take time and effort to ensure that the company’s international talent pool is developed as much as possible.

Cultural Sensitivities

In the past, a global organization’s idea of cultural sensitivity was to make sure that every relocating leader received a two-to-five day orientation on the country to which they were relocating. Since many of the opportunities and problems were solved locally, this system worked and usually met the needs of the market in which the executive operated. Now that we have moved towards a truly global economy, the quick sensitivity training of the past does not suffice. Leaders who operate any portion of a business with international dealings must truly get to know the market in which they are operating. Customers and consumers are demanding that companies truly understand the uniqueness of their culture.

This cultural impact is also felt in the way employees view international companies. We have a tendency/bias to view a distant organization as neither understanding nor appreciating the unique realities that we face on a daily basis. Many times, this is indeed true. However, often it is just a way to justify our differences in substance and approach.

The solution for organizations is to understand that each culture has its unique identity. As with all people, we have greater affinity for some cultures while others are more difficult to understand. The question is not whether these unique qualities are good or bad, it is how we learn to better understand them and acquaint ourselves with their differentiating characteristics.

In a global company, it is important to understand the unique needs of employees in each location and find ways to capitalize on their traits. Many times, we find ways to use cultural

differences to explain away our relationships with others rather than finding the benefits that a diverse employee base brings. Within an organization, there is a need to treat cultural “violations” as a learning opportunity rather than a chance to reinforce the insensitivity that a lack of knowledge can bring.

Team Effectiveness

A true global team has its own set of rewards and opportunities. It is presented with the cultural, geographic, and reporting relationship challenges that we covered earlier. The difficulty is getting the team through the various stages of team development with ease and efficiency. Since the forming stage is based on arriving on a clear set of goals, objectives, and roles, it is especially critical for the leader to put in as much structure as possible. A global team should not be considered the same as non-geographically diverse teams. The composition of the global team must be carefully selected to focus on distant collaboration and contain credible members that can go to the resources within their region and drive solutions.

The benefits of an international group of team members can truly help organizations be more responsive to the global marketplace. It allows for global solutions rather than regional solutions. It does, however, require that team members have a better understanding of the cultural expectations and beliefs of each culture represented on the team.

A global marketplace provides significantly more opportunity to both individuals and to the organizations in which they work. It provides access that previously was not possible. Moreover, technology has enabled smaller companies to operate on a more equal footing with their larger counterparts. However, the true value comes when the human capital is developed in a way that allows for the maximum benefit to both the person and the organization. To make that

happen, we need to look at the systems and processes that employees work with and ensure that they are modified to reflect the realities of the new marketplace in which we operate.