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HR and the Global Paradigm

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Editor's Note: More and more insurers are relying upon their human resources teams to help them make the transition from domestic to transnational concerns. Here, a leading international HR expert discusses how to do just that.

At the turn of the new millennium, the insurance industry is undergoing dramatic changes, most of which can be linked to globalization. Important globalization trends in the insurance industry are the increasing number of international mergers and acquisitions of insurance companies (requiring merging different corporate and national cultures); the increased use of the Internet (possibly leading to disintermediation of the supply chain and threatening the current insurance sales structure); and the growing need for insurance products that can be sold across borders to private and corporate customers.

These (and other) globalization trends are dramatically changing the requirements of the customer chain (including internal as well as external customers) of insurance companies.

In a global environment, insurance products must meet seemingly contradictory requirements. They must be localized and customized to meet the customer demands of different countries, while being transferable across borders.

Localization requires greater attention to the culture and structure of each market in which insurance products are sold. Globalization of insurance products requires standardization to ensure they are transferable across borders.

Global operations require not only accommodating diverse external customer needs, but also managing internal diversity. Many multinationals engage a mix of local-national and foreign-born employees who frequently must work together in teams to meet corporate objectives. When these employees are given assignments abroad, they must adapt to their host country's unique culture and work practices.

The insurance industry can no longer retain a domestic orientation and ignore the impact of cross-cultural differences on everything from product design and delivery to employee management.



Increasingly, it falls to the human resources (HR) professional to manage the "soft side" of today's global industry and to examine the cultural and human challenges facing companies.

Companies differ in their quest for internationalization. In the past, the globalization of domestic companies occurred in a rather predictable fashion: in distinct stages (exports, then multinational, then global, then transnational) over a period of time.

What's Your Global Score?

Many companies are trying to become transnational players. Here's a quick way to gauge where your company is on the path toward internationalization.

Percentage of International Sales

- + Percentage of employees outside of headquarters country
- + Number of countries in which the company operates
- + 50 if company has a "global" mission statement

= GLOBAL SCORE

- <100: Domestically oriented
- 100-200 in transition
- >200: competes globally

Today, the internationalization of a company follows a different and faster path. Especially in new economy sectors, it is not unusual for a company to be "born" globally, to operate on three different continents (North America, Europe, and Asia), and to have a rapidly growing international and multicultural workforce — all within its first year of operation.

Even traditional companies who are latecomers to globalization (and there are many in the insurance industry) are beginning to skip stages in the internationalization process in order to evolve rather quickly from domestic companies to transnational ones.

What's Your Global Score?

To ascertain the status of your — or a competitor's — internationalization process, you may want to employ the global company rule of thumb (see What's Your Global Score?), a simple process that involves looking at key corporate variables.

These variables include the percentage of sales that is international, the percentage of employees working outside of the headquarters country, the number of countries in which the company operates, and the existence of a global mission statement.

A company's score reveals if it is domestically oriented (generally a score of less than 100); is in transition to globalization (a score between 100 and 200); or functions in the global arena (a score of 200+).

In their 1998 book, *Managing Across Borders*, Christopher Bartlett and Sumantra Ghoshal employ numerous strategic dimensions to describe a transnational company, including localization, global integration, and knowledge sharing (see Organizational Characteristics of the Transnational).

"Managers in most worldwide

companies," note the authors, "recognize the need for simultaneously achieving global efficiency, national responsiveness, and the ability to develop and exploit knowledge on a worldwide basis. Some, however, regard the goal as inherently unattainable.

"Perceiving irreconcilable contradictions among the three objectives, they opt to focus on one of them, at least temporarily. The transnational company is one that overcomes these contradictions."

Bartlett and Ghoshal believe the transnational organizational model is becoming increasingly necessary for companies that want to succeed in today's highly competitive international environment.

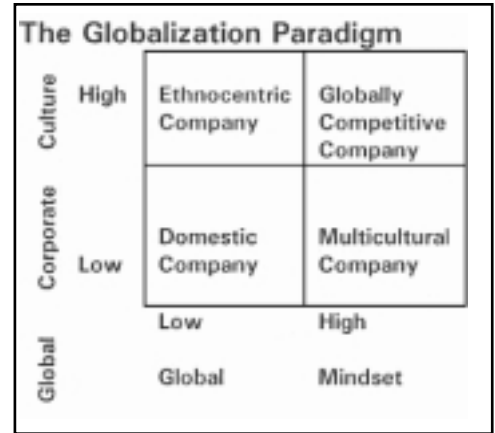
To help their companies transition from domestic to transnational, HR must focus on two dimensions: developing a global corporate culture for the company and a global mindset among employees.

In addition to recruiting, selecting, and retaining employees (and moving them across borders as needed), these are the two major value-added functions of HR in a global company.

Let's take a closer look at the first dimension of a company's globalization paradigm: a global corporate culture.

A corporate culture is a set of shared values and beliefs translated into norms of expected behavior for members of the organization. A company's culture is manifested and communicated in a variety of ways — symbols, behaviors, feelings, and sayings such as "this is the way we do things around here," for instance.

Corporate culture plays a vital role in the ability of an organization to accomplish its goals. It is the glue that not only binds employees together for the purpose of reaching corporate goals, but also aligns individual employee goals with those of the company.



As a result, most companies put considerable effort into creating a strong corporate culture, using employee orientation, training, management development, reward systems, public relations, and more.

It is particularly crucial for a company engaged in international business to build a corporate culture of shared core values among employees worldwide so that it can be successful in conducting business in different countries around the world.

Due to the diversity of countries and cultures in which a global company operates, it must have a well-understood set of core values and mission in order to bind management and employees together in achieving stated corporate goals.

It also must implement communication and information systems that enable real-time communication and knowledge management. Finally, it must be capable of operating global teams for the effective management of the company's people, processes, and projects. Other global corporate culture dimensions include leadership, reward systems, innovation, and change management.

The second dimension of a company's global paradigm is the global mindset of its employees. If the corporate culture is the desired or formal set of shared values and norms of behavior that a company

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intends to develop, the mindset of its employees is the actual embodiment of global values among its people.

A global mindset is the way individual people in the organization think and view the world — that is, think locally or globally. It is the framework they use to perceive their relations with others both in and outside the workplace. When employees join companies, they come with diverse backgrounds and experiences.

The employees' orientation toward the world does not necessarily match that of the corporation.

Developing a global mindset is an iterative process of understanding, experience, and evaluation (see Seven Steps to a Global Mindset).

One acquires a global mindset by

understanding cross-cultural differences and value dimensions, experiencing person-to-person cross-cultural business situations and evaluating international experiences in order to improve the initial understanding of another culture. The process of acquiring a global mindset requires cross-cultural training and preparation as well as foreign country acculturation mainly acquired through international living and working experience.

The degree to which a company is able to instill a global culture along its corridors and a global mindset in its employees is a strong indication of its ability to function successfully in a global business context (see The Globalization Paradigm). A company whose corporate culture and

“Global operations require not only accommodating diverse external customer needs, but also managing internal diversity.”

employee mindset are highly global, for instance, is a globally competitive company.

At the other end of the spectrum is the company where neither the culture nor the employee mindset is global — that is, a domestic company.

Organizational Characteristics of the Transnational

Organizational Characteristics

Configuration of assets and capabilities

Multinational

Decentralized and nationally self-sufficient

Global

Centralized and globally scaled

International

Sources of core competencies centralized, others decentralized

Transnational

Dispersed, interdependent, and specialized

Role of overseas operations

Sensing and exploiting local opportunities

Implementing parent company strategies

Adopting and leveraging parent company competencies

Differentiated contributions by national units to integrated worldwide operations

Development and diffusion of knowledge

Knowledge developed and retained within each unit

Knowledge developed and retained at the center

Knowledge developed at the center and transferred to overseas units

Knowledge developed jointly and shared worldwide

Seven Steps to a Global Mindset

More and more companies are calling upon their HR teams to help them transition from domestic to international enterprises. While this challenge involves everything from developing international competencies to drafting repatriation plans, a vital first step is converting employee mindsets from local to global. Here's how:

- Understand your own culture.
- Develop cultural sensitivity by being aware of stereotypes that people have about your culture and you about them.
- Develop a preliminary profile of other cultures using value dimensions. These dimensions include time, relationship to nature, basic human nature, activity orientation, human relations, ambiguity, power/authority, status, focus/orientation, interactions, communication, gender roles, expression, evaluation standards, philosophy/religion.
- Understand the legal and social framework impacting business and industry practices.
- Use cross-cultural experiences to test the depth of your understanding of a particular culture.
- Identify differences within the national culture, profession, industry, and company.
- Develop cultural savvy and refine your cross-cultural understanding.

Other companies are ethnocentric (high global culture plus low global mindset) or multicultural (low global culture plus high global mindset).

The intervention mechanisms needed to create a globally competitive company depend upon the quadrant into which the company falls. A company's location in the quadrant dictates the need for either organizational development (if low on the global corporate culture dimensions) or human resource development (if low on the global mindset dimension).

Global operations require not only accommodating diverse external customer needs, but also managing internal diversity.

An ethnocentric company, for example, needs to focus mainly on cross-cultural training for its employees, while a multi-cultural company needs global strategic

visioning for its management. A traditional domestic company needs to do some soul-searching to see how it will survive with its corporate culture and employee mindset in today's global business environment. Only companies in the upper right quadrant are currently equipped with their corporate cultures and human resources to compete in the global arena.

The need to cultivate a global corporate culture and a global employee mindset — and then align the two — requires the HR professional to develop a new set of competencies. What are they? In a recent survey published in *HR World* (April 2000), the top 50 global HR people rated change, maturity, openness, flexibility, and adaptability as the most important competencies of the profession for operating globally.

With the rapid globalization of

the insurance industry, it becomes imperative for companies to pay attention to the "soft side" of their company's operation. Ignoring the people dimension will inevitably lead to the failure of meeting the requirements of internal and external customers of the insurance business. HR must be an integral part of a company's internationalization strategy and globally competent to add value to the firm.

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