

Mueller, Hans-Erich

Conference Paper — Manuscript Version (Preprint)

Developing Global Human Resource Strategies

Suggested Citation: Mueller, Hans-Erich (2001) : Developing Global Human Resource Strategies, European International Business Academy 27th Annual Meeting, 13-15 December 2001, Paris, ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg

This Version is available at:

<https://hdl.handle.net/10419/109638>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

DEVELOPING GLOBAL HUMAN RESOURCE STRATEGIES

Hans-Erich Mueller
Berlin School of Economics and Law

*Discussion paper for European International Business Academy
27th Annual Meeting, 13-15 December 2001 in Paris*

Abstract. A few years ago it was typical to give one's subsidiaries a free rein and send managers overseas from headquarters only. But today a great deal depends on overcoming this one-way street and in looking for and employing the best-suited managers, regardless of their origins. What contribution can human resource management make towards a company's global orientation – an area in which local scope and latitude are traditionally very high?

Our study shows that in recent years large US and German industrial enterprises have re-aligned the management of their executive staff. Cornerstones of this quiet revolution are a policy of worldwide parity of executives in evaluation, remuneration and development, greater participation of those with line responsibility from product areas and regions in strategic development, as well as a re-alignment of human resource instruments. Worldwide standards in human resource policy are key factors in the competition for qualified managers. Not only companies, but also executives need to adjust. How have these companies managed to press ahead this quantum leap in their international strategy for executives? What significance do local or cultural differences have, if any? What are the possible consequences of this job market opening? The following article makes "best practice" proposals for pursuing new avenues towards a cross-border human resource strategy.

Hans-Erich Mueller is a Professor of Management and Organization at the HWR-Berlin School of Economics and Law. Parts of this article are published in German as "Wie Global Player den Kampf um Talente führen" in: Harvard Business Manager 2001, No. 6, pp. 16-25.

Cynics ask: “What’s so important about globalization? It’s been under way for decades.” In fact, in the beginning it only affected a few areas and only a few functions like marketing and financing. “Global Players” were certainly exceptions to the rule. In the meantime however, this process has gained in breadth and latitude: today it no longer depends on if but rather on how – on “Best Practices in International Business” (Czinkota/Ronkainen 2001). In the near future and in almost every area of business, we will be forced to contend with the challenges of a global economy, in which the old rules no longer apply and the new ones are yet to be developed. And this also applies to the area often considered the tailender: cross-border human resource management.

“Do you have worldwide HR policies, that is, policies that apply to all employees regardless of location?” This is one of the central questions underlying our interviews with HRM executives of the twelve largest German manufacturers, which took place between the summer and fall of 2000. This includes the largest German companies excluding trade, banking and insurance, as well as energy suppliers according to the Business Week Global 1000, 12 July 1999. We wanted to measure the degree of development in an area in which, traditionally, decision-making had rarely been centralized and questions concerning the overseas assignments dominated. In other words, is human resource management also in the process of being globally integrated as other functions previously? Is there enough room for adequate local adjustment? How and with whom will this changed policy be developed and implemented?

The idea for our study originated from our collaboration with Thomas M. Begley and David P. Boyd of Northeastern University in Boston, who interviewed executives from 32 large U.S based high technology companies, such as AT&T, Cisco, IBM, Intel and Microsoft – in the same way. It is interesting to compare our results.

SENIOR MANAGEMENT STRATEGY HAS CHANGED: GLOBAL INTEGRATION

The same worldwide standards for senior management in evaluation, compensation and development are the milestones en route towards a global human resource strategy, which has only caught on in recent years at German companies like BASF, Bayer, DaimlerChrysler, Henkel, Lufthansa, SAP, Schering, Siemens, and Volkswagen.

Roland Schulz, Personally Liable Associate at Henkel, describes this change in strategy for his company : "Up until 1990 we were very "German-oriented", allowing the subsidiaries in individual countries a great deal of autonomy. Only for the top two hundred executives was there something like an alignment or standardization of a few specific themes. But for the past ten years we have been actively redrafting all of our human resource policy instruments – systematically, and we think in a professional way. So, today, we are able to say that we have succeeded in creating a comprehensive executive structure, allowing us to treat key questions of human resource policy in a unified way. Evaluation, compensation, management development, training and education – we have harmonized all of these instruments for executives and made them binding worldwide". Henkel sees itself as a leader in human resource policy, both within and beyond its own areas of business, one which brings about more equality of treatment and fairness, so that qualified executives can commit themselves to the company and participate in its success.

Reviewing international human resource strategy. Not every company needs to follow these examples exactly. It is clear that there is not just one right course of action for human resource as well as company strategy. There are four principle alternatives between local adaptation ("responsiveness") and global integration with respective coordination costs (see box 1 below).

Four alternatives for a cross border strategy

Local Adaptation:

- International Strategy: appropriate when there is little foreign business – knowledge transfer from the center of headquarters. Coordination cost are low.
- Multinational Strategy: Affiliates are autonomous and local adapted. Cross-border-advantages of standardization and learning are low. Coordination-costs are lowest.

Globale Integration:

- Global Strategy: Advantages of standardization of policies and practices. Strong centralism. Lack of local responsiveness causes disadvantages. National segmented markets, cultures, policies set barriers. Coordination costs are high.

- **Transnational Strategy:** uses advantages from globalization, localization and cross-border-learning simultaneously. Coordination cost are highest.

(see Bartlett /Goshal 1998)

None of these large German manufacturers we interviewed pursues a comprehensive, all-inclusive, globally integrated human resource policy. The autonomy of the national companies in terms of the human resource policy for commercial staff is not noticeably limited, whereas corporate normally assumes exclusive responsibility for decisions concerning executives (Macharzina/ Wolf 1998). But even in this executive area not every company has completed its change of strategy towards global integration. Deutsche Telekom and Preussag (the former steel manufacturer-turned tourism giant), who have recently become more international in their orientation, are just now in the process of preparing themselves for a cross-border, integrated human resource policy. The autonomy of the newly purchased overseas companies has been substantial so far. Bertelsmann, where deployment has traditionally been decentralized, has just begun a more integrated policy for senior management. Lufthansa in the Star Alliance network, too, participated recently for the first time in creating a sound foundation for a global executive management scheme.

Moving towards global integration. Every company will have to find its own route – and this will depend on the situation and will be different for executive management and specialized staff. The decisive turnaround within today's human resource policy appears to be in the replacement of both local autonomy and the home country preference: companies successful across borders with corporate headquarters in Germany have pursued a more globally integrated human resource strategy. Begley/Boyd (2001) also found a globally-oriented executive policy amongst the 32 American high tech companies. In another study, Conn/Yip examined 35 large American multinationals and documented the advantages of such a strategy statistically. According to their research, the improvements in effectiveness of global compensation systems, transferring managers from country to country and having worldwide training systems lead to a measurable increase in the worldwide transfer of "critical capabilities" such as speed of innovation, quality management and cost-efficient production. To date the autonomy of country managers in human resource policy had been substantial. But it was agreed that an increased trend towards global managers, integrated processes and a global corporate culture was certainly intended (Czinkota/Ronkainen 2001).

How much local influence is necessary? In a global-local strategy, cultural differences amongst employees can be seen as a strategic advantage for cross-border learning capabilities and the flexibility of the company. But the initial impression is that, for the moment at least, both German and American companies place little value on adapting their global human resource policies to local situations. This policy can be summarized as follows: "As much global integration as possible, as much local adaptation as absolutely necessary." One Hewlett-Packard manager illustrated the direction in one sentence: "We want one solution for the world rather than 54 country solutions. We optimize at the company rather than the country level."

IBM, on the other hand, values a regional differentiation in their human resource policy. They believe in making exceptions, in flexibility in the area of deployment even as far as differentiated standardization: this is the span needed to bridge the political and cultural gaps, especially between westernized corporate cultures and Asian country cultures (Begley/Boyd 2001).

What the actual situation is like can only be determined by the careful observation of the characteristics and instruments of a strategy, which rests on both global integration as well as on local adaptation. A transnational human resource strategy include (Welge/Holtbrügge 1998, Dowling/Welch/Schuler 1999):

- *Vision and Guidelines:* Mutual orientation. Reduce narrow-minded behavior. Mutual understanding and acceptance leading to worldwide cooperation.
- *Decision-making:* International decision-making committees and communication between the product, country, and function specialists in networks.
- *Recruitment:* Oriented and focused on qualification and no longer on country of origin. *Human resource development:* through international networking and further educational opportunities, overseas assignments. *Personnel maintenance:* handle flexibly.
- Cross-border career paths through internationally comparable policies for *potential opportunities and performance evaluation*. A *compensation policy* that encourages conformity to a common corporate objective.

The following examples and remarks from executives of leading companies offer inspiration to reconsider the own route and to avoid possible stumbling blocks.

VISIONS FOR MANAGERS: ALLOW BLUR

Predictably, large German companies have supported their worldwide alignment with an appropriate system of objectives. Models for executives should not be too restricted or too loosely set. Their focus is on mutual goals: whether it is relationship or task-related. The following are two examples of this:

Company A has a long-term vision, fundamental values and guidelines, which promote both cultural diversity and teamwork as well as obligate the staff to develop their intercultural competence and deal with each other in mutual respect and integrity. These goals are relationship-oriented.

Since 1996, Company B has also had guidelines for a strategic orientation towards globalization: "success through competence and responsibility". For the employees and the company's organization this means in particular, that B employs the most competent men and women worldwide, has a corporate culture that is innovative and performance-oriented, and one that actively promotes debate as well as a transparent policy for information transfer. These goals focus on task. Even further: emphasis on individuality, staff appraisals of supervisors, open debate of issues, performance-oriented compensation – all of these are part and parcel of what is associated with a western corporate culture. In the export business, for example to Asian countries, where the group, respect for superiors and senior staff members, personal relationships and traditions are typical, difficulties may develop when the corporate culture and the country's culture can not harmonize.

Research on this subject, which is not yet very comprehensive, assumes that the country's culture dominates. However, in their study of the biggest American high technology companies, Begley and Boyd (2001) found that U.S. executives tend to export their corporate culture and assume that American culture is preferable to others. The reasons for this can be illustrated in three faulty fundamental assumptions: the universality of values, the similarity of motivators, the centrality of performance. For German executives, this is an attitude, which, because of the historical experiences of their country and the degree of openness towards the world, hardly seems imaginable.

Why do these hazy visions and models reap smiles so often? The more complicated and dynamic the tasks become, the more the organization's units are spread and differentiated

around the world, the greater the need for integration in all areas of the company, from the top of the hierarchy to each and every executive. Differentiation and integration are two sides of one coin. This is why there is little dispute about the importance of the so-called soft success factors in the strategy process – the core competences, the knowledge and the capabilities of the employees and the corporate culture – need to share priority with hard strategies, structures and systems. Visions and models at the top of the company, along with flexible goals covering a wide range, steer this process. They should also help individual managers find a strategic path through this opaque and turbulent maze without overwhelming them. Less can be more.

On the other hand, some models miss their target as the central point in a constellation because they are too theoretical and can't be integrated into a practical policy. If it is the task of a human resource policy to fill the company's goal expectations with life, then it makes good sense to include all employees working in the company's diverse locations in an examination of these values. A task force at Texas Instruments (TI) was given the charge to revise an outdated human resource policy and set about to identify the most central corporate values. In hosting 30 focus group meetings with TI employees around the world they discovered that three values surfaced consistently: integrity, innovation and commitment.

These stood for the "new IT", which had divested its defense-related divisions and begun to concentrate their efforts on the highly competitive semiconductor technologies. Unfortunately, management had not found the time to acknowledge the shift. (Begley/Boyd 2000)

Thus, the regular examination of human resource policy is advisable (see Box below). This should begin with the articulated core values of the corporate culture, then be identified as models, and finally, be carried out as human resource policy. In this entire process it is vital not to lose sight of those who make a difference: the employees.

Checklist for Examining Existing Human Resource policies

- *Relevance: Are the policies relevant in the current business environment?*
- *Strategy: Are the policies connected to the company's goals?*

- *Adaptability: Are the policies adaptable to changing circumstances?*
- *Applicability: Are the policies applicable across the company's theater of operations?*
- *Familiarity: Are employees aware of the policies?*
- *Clarity: Are the policies easy to interpret and apply?*
- *Boundaries: Do the policies clarify the bounds of acceptable employee behavior?*
- *Commitment: Do employees support the policies?*

(Begley/Boyd 2000)

INCORPORATING GLOBAL KNOWLEDGE

Executives should see themselves as drivers of a common corporate culture. They travel more, send e-mails around the world, participate in tele-conferencing, familiarize themselves with business magazines and business schools and, in short, are part of a knowledgeable and mobile elite. This is reason enough for former barriers to disappear, allowing questions about comparisons and equity to emerge. The new media make the flow of information and communication around the world possible. But how and to what extent this new media can be employed in the development of an integrated global executive strategy also depends on the individual strategy and corporate culture. Company networks and very decentralized structures seem to hinder global standardization, whereas a growing international business responsibility frees a substantial and powerful drive. Finally, the degree of integrating business areas and the regions will differ.

Barriers of decentralized structures and networks. Along with twelve other global airlines, Lufthansa is an important partner in the global STAR-Alliance. Managing such a delicate constellation around the world is quite a challenge compared with a traditionally organized company. Strategies that overlook the will of the partners dry up. With this in mind, Lufthansa CEO Thomas Sattelberger finds the strategy guru Ansoff's statement striking: "It is no trick to formulate a strategy, the problem is to make it work."

The STAR-Alliance only just recently established its own comprehensive management organization. It sees itself as a consultancy for the moment, but in the future could develop

into a management holding company in individual regions of the world. The problem lies in the implementation of the strategy: The influence of this STAR Inc. on the partner airlines is greatest in the development of cross-border strategy and concepts. However, when it comes to the harmonizing of processes it falls off markedly and is confronted with the limitations of the company when they try to implement new policies. The solution was found in not attempting to harmonize the management of all the STAR-partner executives, but instead to establish their own individual policies for recruitment, appraisal and remuneration for STAR Inc.

This is similar in decentralized businesses, like Bertelsmann. The over 500 comparatively autonomous profit centers see themselves as the driving force behind the business, and they expect substantial justification from corporate. With the convergence and the consolidation of media and communications, there is a growing impulse for a more influential role for the headquarter. In the area of management recruiting and development this has already been established, but not yet for compensation.

International business responsibility as the driver: The priority "Corporate before Business before Region", has already been deployed in many large corporations: at Henkel since 1985, Bayer since 1994, DaimlerChrysler since 2000 and at SAP in the near future. This will finalize the loss of power for the regional managers. Corporate: this does not have to be the company headquarters since the Center of Competence, for example at Schering and Siemens, can also be at subsidiaries that often assume central responsibilities.

Along with the growth of regional units and global responsibility, the development of cross-border integration of the management of executives is also enhanced. Thomas Neumann, acting Human Resource Manager at SAP, referring to his previous experience at Hewlett Packard, as the leadership of the company was no longer pursued solely in America but also in Europe: "the standardization of processes and the harmonization of systems, those were the major objectives in the area of human resources. The most important driver was the problem that most executive managers in the different countries now have, and therefore aren't able to cope in the human resource area."

Roland Schulz argues for Henkel in the same light: "By 1985 we had already decided that we wanted to pursue worldwide responsibility of the strategic business units. This would make it easier for those of us in personnel. Out of this new worldwide business responsibility a new challenge for the human resource area developed. Understandably, the leaders of these culturally diverse international teams wanted the same treatment. The motivation came from

the business itself, but also from the interviewing we conducted with executives and staff alike. The theme of equity and equal opportunity had clearly become dominant factors. These also help determine whether we are attractive employers in these different countries. The guiding principle here is: It is not your nationality that matters, but your class! We want to take advantage of human resources worldwide so that we can attract the best talents.”

Participation of the businesses and the regions. The objectives of an organizational structure are to coordinate products, regions and functions in accordance with the company’s goals. At first glance a complex matrix organization might look ideal. But in actual fact many companies reject this and pin their hopes on simpler routes. Some of the reasons include the need for team decision-making and a potential for conflict in organizations, which have more than one executive manager. In addition, secondary organizations like projects, teams and networks, committees, informal channels and similar value systems, should promote integration. In this way, traditional barriers to business areas can be overcome.

This is how the global human resource strategy at DaimlerChrysler was developed last year from an international HR strategy team, together with the representatives of the business units and including the top level decision-makers. Together they adapted the human resource strategy to the company’s strategy, which has culminated in a combined strategy that promotes greater overall identification and acceptance.

At Siemens, too, they are trying to promote an international human resource management that involves the participation of other areas wherever possible. One of the newly created instruments for this is the Personnel Council World (PCW) that meets every six months. Apart from the top decision-makers in the human resource area, the heads of both the regional and business areas are represented. Their “Partners for Regions” secure the position of the region and the feedback to the human resource department at the head office even further. This is because there is quite a tradition of strong regions at Siemens. Areas such as Energy, Industry & Transport, Information and Communication are dependent on these regional units because they don’t have their own distribution organizations. The objective is to tighten issues of policy without ignoring the needs of the regions or the product. Mike Panigel, responsible for “Compensation and Benefits” at the head office of the Siemens AG, speaking about the relationship between global regulation and local adaptation: ” This has become more important today because the sub-units in the Centers of Competence are no longer managed from Germany. The guidelines should always include enabler functions, which make changes

and structuring possible. In the future the responsibility for the marketing of their positions will be left more and more to top management and headquarters. To do this they will utilize the Intranet, brochures, as well as the communication amongst company executives at meetings, for example through presentations.” Here the conformity to a transnational strategic model is apparent.

RECRUITING, DEVELOPING AND RETAINING QUALIFIED MANAGERS

Qualified managers have become a bottleneck factor in international competition. Cross-border and interdisciplinary experience is expected and not always available. In addition, loyalty to the company has depreciated. Headhunters are poaching the best people. How do companies with international experience handle this problem? Corporate itself is addressing the subject, human resource instruments for executives are realigned creating a winning employee value proposition.

Qualified Managers is a matter for the boss. Bertelsmann recently established a special area for management development, responsible for recruitment, development and the placing of ”High Potentials”, reporting directly to the Board. At Volkswagen, when it comes to designating or hiring for Board or other key positions, nothing works without a decision from the group headquarters. At Siemens, the principle ”High Potentials belong to the Corporation” only applies to those at the very top – the three highest functional levels of the company’s leadership which include less than five percent of all executive positions. At lower levels there are no such regulations. Regional units can develop their executive management positions as they see fit. The influence of corporate in questions of hiring and placement is becoming greater but only applies to the top echelons of management.

Broad and international experience as career steps. Vertical promotion and origin from the company’s home country should no longer be the norm. Executives are often recruited from within the company but broad experience and international interchangeability are considered more valuable. In the past, Bayer recruited and placed 95% of all their executive positions from within. Their principle: ”Leaders we need from the people we have.” Klaus Beck, representing the group’s staff of senior executives at Bayer AG, emphasizes that, ” whoever wants to gain an international general management position normally has to have completed three steps: They should have changed positions, changed the business area and they should have gained previous experience overseas. In their core value statements and principles BASF

also laid down their intention to promote their own employees of all cultures and nationalities. These objectives can also be found in the above-mentioned American studies.

A value proposition for executives. The attractiveness of the company, the tasks and the compensation are the central propositions in the competition for qualified manager. For this reason, DaimlerChrysler recently launched a "preferred employer project". Since the year 2000 SAP has maintained a stock options program, which is in fact the first worldwide human resource program at SAP that has been developed and lead by the home office in Walldorf/Germany. Human Resource director Thomas Neumann warns against expecting too much from these "golden handcuffs". The success of the company and its attractive jobs attracts good people and binds them to the company.

Corporate universities are also part of this package of opportunities, those joint ventures companies like Bertelsmann, DaimlerChrysler, Lufthansa, SAP and Siemens have with renowned international business schools. They are valuable not only for improving qualifications, but also for increasing communication, the creation of networks and for establishing partnerships, which in turn will bond talented leaders.

For the search, selection, placement and development of qualified managers on a global level, the traditional mode and procedure for overseas assignments is outdated. Short assignments, job rotation, broad career paths, real and virtual teams and conferences, the Internet and other systems for information transfer and communication promote organizational learning, global orientation and, at the same time, the ability to handle local differences effectively.

REALIGNING PERFORMANCE AND COMPENSATION SYSTEMS

An improved integrated human resource management is the answer to changes in the company's strategies due to increased globalization. The starting point includes basic values and guidelines being worked out and formulated by international teams and the appropriate tools. The goal is to increase the global standardization of appraisal and compensation systems for executives and at the same time to incorporate local qualities.

Appraisal: Installing equity. Part of the appraisal management at Henkel is the Target Dialogue in which the year's objectives for team and individual performance are agreed upon and evaluated. They also determine leadership qualities and types of behavior, and specific

agreements about other measures for development are reached as well. Both of these results are included in the "Management Review", the regular assessment of performance and potential of Henkel group executives - worldwide. DaimlerChrysler, as a result of their merger, established a similar procedure for goal setting, appraisal and potential estimation, and the same is true for BASF and Siemens.

All of the companies have reported how vital it is to consider local and cultural differences. More flexibility is needed for implementation, otherwise the assessment scheme would frustrate executives working in eastern Europe, because they could easily be reminded of the former system. In China, the appraisal of superiors is unthinkable. In this context Roland Polte, Head of the Competence Center for Management Development at Siemens, refers to the special significance of the Siemens competence committee as described above. "Here we decide whether a specific instrument, like the 360-degree evaluation, whose implementation began two years ago, should be launched worldwide or whether it should just be a Best Practice instrument. We decided on the latter: For us the 360-degree evaluation is not a corporate instrument." Daimler-Chrysler allows a number of different methods of evaluation to exist parallel to the head's: besides the assessment of colleagues and superiors from other areas, the evaluation of the next highest management level is also included.

An examination of the compatibility of the company and country cultures can be appropriate and instrumental in preventing things from going off course. This does not only include the question of whether specific human resource instruments in each country can be used successfully, but also each interpretation of the evaluation criteria. Jürgen Lahr, Head of Human Resource Development at BASF emphasizes that a lot has been learned in recent years. The evaluation criteria for senior executives and potential candidates are the same around the world, but "one criterion, for example the ability to communicate, has to be looked at differently in China and Korea, compared with the USA or Germany. It is one criterion, but: how it can be applied in a specific place and what behavior can be expected, depend on local situations." One should take a close look at what really needs to be solved centrally.

How a company attempts to adjust its global executive strategy to local situations, can be illustrated by the Volkswagen example. In June 1999 Human Resources Director Peter Hartz initiated a project, which will develop a worldwide minimum standard in terms of selection, appraisal and qualification that includes the participation of regional companies and which concerns itself with management trainees, managerial staff and executive management. Detlef

Lampe, who is responsible for international human resource management at Volkswagen, stresses that in addition to the guarantee of overall minimum standards, every company is still free to develop their own country or culture-specific standards that expand on the groups' standards. Indeed, the concepts are defined to allow sufficient flexibility for differing interpretations at the local level. This, in turn, requires a kind of quality control system, for example by combined training for monitoring, through an exchange of facilitators, etc., in order to establish and guarantee equivalence. This should encourage and promote the process of internationalization, so that many more managers from other companies and countries can gain experience and embrace international career planning. To date, by far the greatest number of employees who have been sent overseas have originated from companies in Germany.

Performance-oriented compensation! Everywhere? A few years ago, the Henkel group simplified and standardized the compensation for senior management worldwide. They wanted to flatten organizational structures, increase customer orientation as part of the business process and promote project management, international business teams and new communications technologies, which require a high degree of flexibility and willingness to change.

International compensation packages, like the one at Bayer are based on a fixed salary for the function plus a commission for short or long-term performance motivators (like stock options) - and adapt and conform to market requirements. At the top, this added commission is often larger than 50 percent, for middle managers it is about 30 percent.

This global integration of human resource policy has created a new market for companies such as the HayGroup which specialize in this type of business consulting. They are brought in to elicit cross-border requirements, for example whether the compensation conforms to both performance and market prerequisites, and to replace traditional forms of compensation. A functional based salary is no longer associated with title, level of hierarchy and seniority, but universally on the essential know-how required by the position, the ability to solve problems and responsibility worldwide.

The goal of the harmonization of evaluation and compensation systems includes added flexibility and equality. The discussion partners we spoke to at these companies are well aware that they need to take local differences into consideration. Because of the tax situation in Belgium, for example, stock options make little sense, and in Turkey they are illegal. In

Korea, job appraisal and salary policy are traditionally dependent on seniority and age. Performance appraisal systems that openly elicit the strengths and weaknesses of employees do not comply with values, which emphasize harmony and conflict-avoidance, typical in many Asian cultures. The amount of compensation of many American senior managers is seen as inconsistent with European attitudes of fairness.

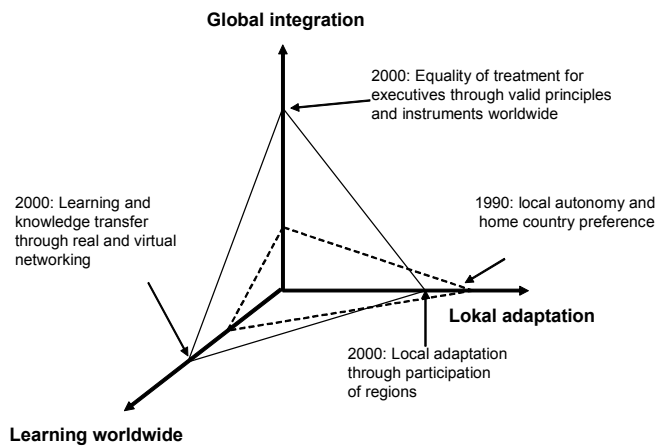
On the other hand, convergence is achieved through constant change. Roland Schulz reports about the very difficult problems facing Henkel, in their attempts to introduce the Hay system in Japan. It was finally solved with the comparison with a Best Practice company. This was Kao, a firm which is considered exemplary in the human resource area in Japan and a company that was involved in introducing the system there. The economic crisis in Asia also contributed to a greater acceptance of appraisal and compensation on the basis of performance rather than on seniority.

EPILOGUE: NO END TO THE STORY

In recent years, many of the largest German companies have completed the change towards a transnational strategy for senior management: Worldwide guidelines with enough flexibility to adjust to local situations, a global "as far as possible" with local responsiveness and interpretation of criteria, as well as a network of systems development contributing to global integration (see fig. 1).

The drivers of this transformation are adjusted company strategies and structures, the lack of qualified senior executives for global competition and the fact that managers have staff in many countries. Additional impetus has come about by a change in the expectations of executive managers and their desire for equality of treatment. The consequences: changes in the expectations placed on senior management – broader and greater international experience and the dissolution of traditional centers of power, which the headquarters had offered previously.

Managing top executives: towards a transnational strategy



Equality! Great transformations require time. Sometimes they miss their objectives. For this reason, it is important to study what the described human resource strategies really affect and how they can be implemented. We also need to keep an eye on possible countercurrents and weak signals of new trends. In this respect the new relationship between the head office and the periphery is being redefined by the Internet. Relationship management is developing supplier and customer networks. In this respect, customized solutions are available not only for customers, but for employees as well.

Bibliography:

Christopher A. Bartlett, Sumantra Ghoshal: *Managing Across Borders, The Transnational Solution*, 2nd edition, London 1998.

Thomas.M. Begley, David P. Boyd: *Articulating Corporate Values through Human Resource Policies*, in: *Business Horizons*, July-August 2000, pp. 8-12;

Thomas.M. Begley, David P. Boyd: *A Primary U.S High Technology Export: Corporate Culture*, unpublished draft 2001.

Michael R. Czinkota, Ilkka A. Ronkainen, (editors), *Best Practices in International Business*, Fort Worth 2001.

Peter J. Dowling, Denice. E. Welch, Randall S. Schuler: *International Human Resource Management*, 3rd edition, Cincinnati, Ohio. 1999.

Karen Roberts, Ellen Kossek, Cynthia Ozeki: *Managing the global workforce: Challenges and Strategies*, in: *Academy of Management Executive* 1998, No. 4, pp. 93-106.

Klaus Macharzina, Joachim Wolf: *Die internationale Personalfunktion und ihre globale Koordination*, in: Nino Kumar, Dieter Wagner (editors), *Handbuch des internationalen Personalmanagements*, München 1998, pp. 48-83.

Martin K. Welge, Dirk Holtbrügge: *Internationales Management*, Landsberg/Lech 1998.