



# HR Leaders Peer Exchange - HR's role in developing global organisations

Hosted at IMD Business School, supported by Education First



**Corporate  
Solutions**

## **IMD BUSINESS SCHOOL PRESENTERS:**

**Anand Narasimhan**, Shell Professor of Global Leadership

**Martha Maznevski**, Professor of Organisational Behavior and International Management

## **CASE STUDIES**

**Des Pullen**, Group HR Director, Associated British Foods Group (ABF)

**Stephen Kelly**, Chief Human Resources Leadership Officer, Avanade

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### **Organisation design evolution**

Anand referred to various significant steps in, and influences on, organisation design thinking.

- British East India Company (1600) – the first joint stock company, formed to extract value with limited liability.
- Wedgwood (founded 1759) in whose factories double-entry accounting commenced.
- Max Weber (1864-1920) – articulated the legal-rational model of bureaucracy.
- Taylorism, Sloan and the Kondratieff Wave.

We are now in an era when Piketty and others challenge conventional concepts of capitalist value creation, globalisation is everywhere, and the necessity of the 'office' is evaporating. It is no longer feasible to have closed organisational boundaries – more open, connected and collaborative models are required. The matrix structures originating in the 1960s have to adjust to a more 'democratic' distribution of authority – more horizontal than hierarchical structures.

New organisational forms are emerging, about which theory and experience is still forming.

- 'Hollow' – building on the outsourcing model developed by Perot; examples – US Army, BBC.
- 'Modular' – products/services are developed in 'chunks' by different internal and external providers; the challenge is getting interfaces right so that the outcome appears unified.
- 'Virtual' – including temporary organisations formed around branded product and services, using technology to link people, assets and ideas.

Re-structuring – heavy processes with collateral damage – should gravitate towards 're-configuration', more frequent and less drastic interventions using both internal and external components.

In discussion, Anand felt that there should be more focus on organisation design including

- more rigour in understanding external forces and the future, especially the digital revolution
- being more responsive to varied stakeholders – leaders can no longer just demand commitment.

Andy Newall commented that the past experience and self-interest of key players remained powerful inhibitors to future-focused design. Anand cited examples of organisations who genuinely involved young talent in strategy development – but these were still the exceptions.

### **Changing demands for HR**

Anand suggested the 20 year old HR role frameworks articulated by Dave Ulrich needed re-visiting. He offered a new typology of demand and supply-side roles for discussion.

- Resource manager – reconfiguring human resources (permanent/temporary) and policies around emerging business needs.
- Assurance provider – developing sustainability of organisation and practices.
- Media player – creating brand attraction and commitment (expertise in emerging technology).
- Human capital builder – building capability and the context for continuing great performance.

HR specifically needed to become expert in interpreting and deploying new models, not historic ones.

## **CRF commentary**

Ghoshal and Bartlett in *Managing across Borders* (1989) provided a definitive typology of how globalising organisations develop, either as a whole or within business units.

- International – adding to domestic operations
- Multi-national – multi-local model
- Global – wide geographical spread, but retaining strong central control
- Transnational – ‘networked’ organisations balancing central and local authority

CRF’s report *The challenge of operating globally* (2007) provided comprehensive guidance about how to deploy human capabilities within such structures, and anticipated much of the radical change in business models and operating practices that the internet has encouraged.

Perhaps the most significant emerging model is so-called ‘Uberisation’ – even the popular press now talks about organisation design! – combining open and ‘social’ organisation concepts. However, as with preceding organisational models, there can be ‘dark sides’ to take account of – like outsourcing, Uberisation has potentially negative aspects, with excessive imbalances inviting societal backlash.

## **ABF’s approach to developing global organisations**

Des Pullen explained the design principles of this fast growing top 30 FTSE, 125k employee company.

- Continuity and stability of leadership – family dominated, just four group CEOs in 81 years.
- Strategic purpose – long-term healthy cash generation to enable sustainability.
- Very varied portfolio of businesses – avoiding ‘one-size fits all’ thinking and practices.
- High degree of autonomy of 62 profit centres/brands – justify your strategies and the centre will back you and bank you. This creates lasting commitment and further leadership stability.
- Light divisional and head office supervision – but high degree of connectivity. 300 HQ staff are ‘super brokers’ - constantly travelling, influencing, facilitating, horizon scanning, challenging.
- Central involvement in the development of the top 150 executives and succession pool of 500; the Group CEO spends 30% of his time on people issues.
- Clear set of performance dashboards for all businesses, tailored to their needs, focusing on the long-term yet giving management teams the freedom to alter short-term targets as needed.

In sum, ABF is a transnational, networked, collegiate organisation, using network analysis tools to understand and reinforce its organic strengths. It is not a conglomerate – businesses are expected to support and add value to each other.

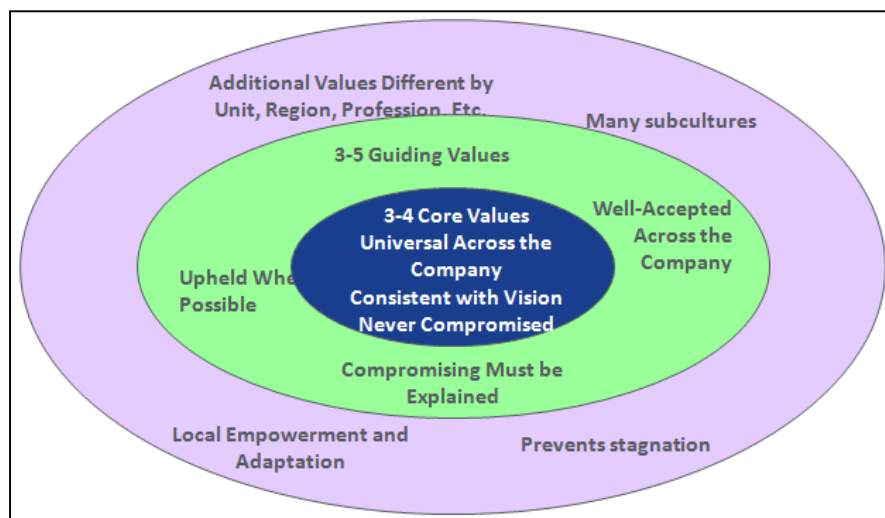
The Group HRD role is to ensure the right leaders are in the right place at the right time, and are rewarded in an effective way; and to act as guardian of the group operating model and principles. The latter are articulated in a ‘Red Book’ and governance processes that are more about supporting than controlling, but which provide a sound framework in which autonomy can be practised. The constant investment in stable and productive relationships provides both glue and healthy stimulus.

Des provided three examples to demonstrate how different businesses were in their challenges, lifecycles, and approaches to business and even people management – because their circumstances demand this. The point is to share and learn from diverse experiences – as this helps others manage current and future challenges – and use recognition to inspire both performance and sharing. Similarly in managing talent and succession, while there is a leadership success profile, it is not a check list. ABF does not want clones. It welcomes maverick, even ‘spiky’ people (within boundaries).

## Culture, diversity and identity

Martha Maznevski commented on the messy structures and processes that globalising companies can develop, especially after multiple acquisitions. Many CEOs try to instill greater order, promoting 'one company' cultures yet simultaneously professing to support diversity. This can lead to confusion, and tensions when enacted simplistically. She advised three courses of action.

*One culture, multiple sub-cultures* – one over-arching 'narrow' culture that creates corporate glue, but recognising and celebrating multiple sub-cultures and identities – businesses, brands, technical specialisms, nationalities etc. These eco-structures are dynamic; relationships need to be worked at.



*Promote diversity within sub-cultures* – and be clear about what you mean by diversity, and about why and where it adds value and enhances performance. (Note: gender is just one dimension.)

- Diversity provides most benefit where multiple points of view are needed – for example devising sound strategies in uncertain contexts, stimulating innovation and adaptability, developing talent, managing in multi-cultural contexts, integrating new acquisitions or merging business units.
- Diversity helps to avoid the dangers of 'dominant perspectives', stereotyping and disengaging people by disrespecting them.

*Embrace and connect multiple sources of identity.*

- Encourage understanding – and respect – of both personal and group identities.
- MBI – *Map* the differences; *Bridge* differences by communicating and relationship-building; *Integrate* varied perspectives, personalities etc towards shared goals and to achieve synergies.
- Recognise and disarm threats – eg organisational systems that drive unnecessary homogeneity; group-think; bossy head offices; administrative empire builders; negative internal competition.

"Privilege is invisible to those that have it" (Dr Michael Kimmel). Large organisations in particular tend to suppress diversity. Yet healthy organisations, like individuals, succeed in integrating their varied identities. HR should play a full part in sensing potential problems and building the capability to avoid them. Good performance cannot be expected when people are not 'recognised'.

### CRF commentary

Hersey & Blanchard's situational leadership theory developed in the 1970s points to the need to recruit and develop managers who are able to meet variegated needs of employees to get the best out of them. This means avoiding formulaic approaches, and also pushing back where central functions design and propagate processes that are not fit-for-purpose, often because they are not co-created with managers.

The globalised business environment is characterised by variety, interdependence and accelerating technological advance. Martha cited three assumptions that should guide organisational thinking.

- Boundaries are fluid and permeable – between companies, customers, suppliers, partners; and between work and home activities. In every way organisations must be more agile and flexible.
- Power is more broadly distributed, and authority increasingly cannot be assumed but requires permission and continual negotiation.
- Business success requires sustainability – economic, ecological and social.

Millennial talent is often equipped to operate effectively in this VUCA context, given characteristics such as comfort with fluid authority, lateral connecting, learning agility, being values-led. Use their strengths to help others in the organisation – starting with leaders – transition better into the future.

### **Avanade – deploying the talent of tomorrow**

This fast growing company, founded in 2000 by Accenture and Microsoft, helps mid to large size organisations make best use of Microsoft technology. Headquartered in Seattle, it now has 20,000 employees in 23 locations. In addition, it employs 'Associates' outside those locations, such that there are now over 60,000 'Avenaders'. The company anticipates doubling in size within three years.

In order to adapt to the realities of the advanced technology market and employment of millennials, Avanade has created a structure of 25 different global talent communities, for example Analytics and CRM. All work and learning is posted into individuals' portfolios. "We talk more about skills and knowledge than putting people into specific jobs", explained Stephen Kelly. Benefits include:

- facilitating sharing of information, ideas and building a peer knowledge base
- moving away from typical corporate hierarchy structures and behaviours
- investing in continuous learning – "20% of us are 'in learning' at any time"
- attracting Associates, who pay \$ 1000 to join communities to access jobs and great learning
- not being bound by geographical management structures.

Avanade constrains attrition to a level (around 20%) that balances capability retention and keeping its gene pool fresh. "For example, if people aren't developing we help them to move on. We want those who leave us to be Avanade ambassadors. We do worry about losing IP; however, people who 'leak' blow their reputation and employability."

"We have created a context that talent wants to join – in a very competitive, even fickle, marketplace. Part of this is being at the forefront in building analytics, big data, gamification and AI into the way we work and learn. We are driving change, not chasing it."

### **Transformation journeys**

Anand Narasimhan used the word 'quests' to identify specific challenges within business change. He relayed back the results of a survey of CRF companies participating at this meeting (see separate document [here](#)) with questions about seven critical areas of 'quest' – value generation, leadership, presence (where you operate), solutions (products/services), agility, sustainability and co-innovation.

For corporate leaders, the transformation challenge never goes away. As high profile examples show, some succeed in their re-shaping efforts – e.g. Indra Nooyi at Pepsico – and some are discarded, like Ellen Kullman at DuPont. For companies coming under severe pressure to improve value generation, the key is not just to make economies and then return to doing the same things as before. The first half of the game is about recovery, but the second half must be a genuine quest for transformation.

- *Triggering quest* – understand pressures on value generation; the journey just starts here.
- *Anchoring quest* – transformation needs to be sustained with leadership development across all levels. Spread capabilities and embed throughout the organisation.
- *Altering quest* – identify factors that can be mobilised for transformation. Do more or different with products, customers, resources, partners, vendors. Keep focus.

He posed questions about the various quest areas, each to be viewed in a *global* context.

*Value generation* – What do we mean by ‘value’ and who are we creating it for? How do we integrate strategic, financial, and marketing views of value? Do we have governance capabilities and behaviours that can avoid value destruction?

*Leadership* – Is this now viewed in a non-hierarchical way? How culturally diverse is our leadership? Do top managers invest time to coach the next generation of leaders? Do line managers own the leadership development? Do we have a shared understanding of leadership across the organisation?

*Presence* – How global should we be? Which globalising or local companies are threatening to disrupt our business? How effectively can we compete across multiple markets (including for talent)?

*Solutions* – What business are we really in? What do our customers do with our products that we *could* do for them? In trying to sell a solution, what customer “headache” are we addressing? How will the move to different solutions destabilise our current value proposition?

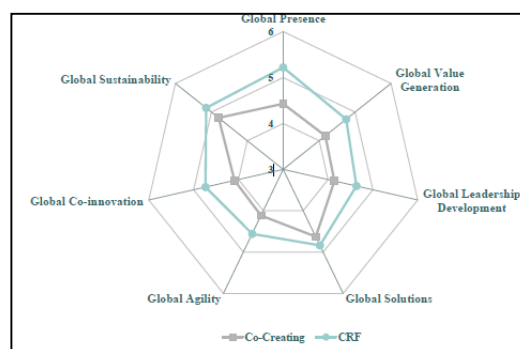
*Agility* – Is our priority strategic, operational, or cultural agility? Which parts of the organisation need to be more agile and in what way? How should we use pilots and experiments to realign ourselves?

*Sustainability* – What are critical sustainability concerns for our industry and business? How central is sustainability to our strategic thinking? How will we mobilise the entire organisation in order to be more sustainable?

*Co-innovation* – What networks should we develop in order to access new ideas faster? Do we share an understanding of what our innovation bottleneck is? How ready are we to disclose know-how to new innovation partners?

These are just examples. Companies should identify their own searching questions.

Finally, the graph indicates how the CRF survey respondents compared in their self-evaluation to a different group that IMD had surveyed – in summary, somewhat more confident, but still showing considerable room for improvement in the capability to globalise effectively.



Notes authored by Andrew Lambert.



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