A SURVIVAL STRATEGY FOR SMALL BUSINESSES: THE NEED TO ADAPT
GLOBAL HR PRACTICES

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ABSTRACT: Small businesses are no longer competing against same sized adversaries; globalization has exposed them to the wrath of big multinationals that are hungry for growth. The success of global companies and continuous expansion comes at the stake of small businesses losing their market share. This loss extends to losing key personnel and human resources (HR). Hence, not only is it necessary for small business to learn from the HR practices driving the successful work-culture of these globally connected enterprises (GCE’s) but also to use them as a survival skill to rejuvenate their HR functions in order to attract and retain the best talent. This research aims to learn from the HR functions of GCE’s to see which of their practices can be easily employed by small businesses for their immediate benefit.

KEYWORDS: Small businesses HR practices, global HR for small businesses, small businesses survival strategy, embracing change for HR manager, world class HR functions, virtual teams, culture and HR, pitfalls to avoid for HR managers undergoing change

BACKGROUND AND MOTIVATION

As an aftermath of globalization, “well known products are losing their traditional identity: Chevrolets -as American as apple pie- are being assembled in Mexico; and the parts of which are coming from every corner of the world” (Meisinger, 2004). We see a similar model in airline manufacturing industry in which Boeing and Airbus procure majority of the aircraft parts from across the world at the best price and quality. The Hong Kong based multinational Li & Fung has been optimizing global supply chain for its customers since 1906. “Most multinational companies do a good job of globalizing supply chains for all their essential raw materials -- except human resources” (Quelch & Bloom, 1999). As immerging technologies rapidly changed the face of international business over the last two decades, this notion is still applicable today. The technology has transformed the world of recruiting, training and even work styles. “Today we are online 24/7 and relentlessly flooded with information, messages, and communications” (Global Human Capital Trends, 2014).

A small business traditionally had limited access to strategic HR functions. They neither had the budget nor the publicity to easily attract top talent. This study aims to improve the scenario by learning from global Human Resource (HR) practices, for the benefit small businesses (SMB).

Related Work
Most of the literature review covers global HR implications of multinationals and not much work could be found that reviewed the same, in context of SMBs. Thus, global HR practices were studied to gain some insight into how they can befit SMB’s.
The contribution of HR to the global business is fundamental (Renteria, 2011). The global talent management strategy is found to be highly embedded in the broader business structure and shifts in the direction of globalization, entailing epochs and episodes of internationalization (Sparrow, Farndale & Scullion, 2013). Sustainable competitive advantage in global trading is deployed by the HR department (Scott-Jackson, Druck, Mortimer & Viney, 2011). Human talent underscores a key role in the competitive growth of organizations (D Ulrich, Younger, Brockbank & M Ulrich, 2012). Competitive advantage in the global economy is driven by intangible assets that are tied to people and those assets must be managed with the same discipline, integrity, and transparency with which traditional capital assets were managed in the last century. (Rivera & Smolders, 2013). During the 2008-2010 economic recession, organizations reduced costs by 13%, not by a reduction in head count but by owning a world-class HR function (‘Despite Recession, World-Class HR Organizations Reduce Costs by 13 Percent’, 2011).

Organizational capability is needed with new forms of international mobility and to be able to handle global talent management, emphasis is laid on the importance of leveraging emerging markets (Ferndale, Scullion & Sparrow, 2010) and on the existence of centralized policies and guidelines (Patterson, 2014). Tata is a good example in the way it behaved within its original structure but also with respect to its acquired businesses, which include Jaguar, Land Rover and Tetley Tea (Reilly, 2012).

Today's human resources manager is responsible for a plethora of duties that is no longer considered a luxury only for the very large and highly successful organizations; but necessity for the small business as well (Zilm, 1997). Polling about 37,000 employers from 27 countries and territories, Manpower (‘Recruitment Solutions’, 2007) discovered that 41 percent of employers worldwide are having trouble filling vacant positions due to a lack of suitable talent available in their markets. It is thus very important to retain key employees as productivity loss due to the initial learning curve of starting new job can cost 1% to 2.5% of total revenue for companies loosing employees (Rollag, Parise & Cross, 2005). As per a global workforce study, 65% of the 32,000 full-time workers participating in the survey were found to be not highly engaged (TalentReward - Global Workforce Study, 2012).

In another recent study of workplace trends, the Society of Human Resource Management (SHRM) forecasts a more competitive global business landscape, that will be affected by economic growth from emerging markets such as India, China and Brazil and an increased global competition for job, market and talent (SHRM Workplace Forecast, 2013). Small companies may find their talent pool shrinking and it is for them to see this as an opportunity and lay the foundations to support future growth and become a global recruiter as well.

**Reviewing Success Factors for Global Enterprises**
Attributed to Sun Tzu, from ‘The Art of War’ (Havilland, 2008):

*Know thy-self, know thy competition, and get it right almost every time.*

*Know thy-self, not know thy competition, and get it right about half the time.*

*Not know thy-self, not know thy competition, and get it wrong almost every time.*

By developing a better understanding of the global competition, small businesses can well equip their HR departments to deal with the threat of being eroded by antagonistic global giants in their race to attract talent.
Molex, a global electronic component manufacturing company based in Chicago, views HR as the one function that needs to be most country specific. Recruiting high quality employees is logical in light of the raging war for talent, (‘International HRM at Molex’, n.d.), Molex ensures this through its network of eighty HR staff members in seventeen different countries across the globe. The reason is that each local unit has unique needs, so the philosophy has been to hire experienced HR professionals who know the language, have credibility, know the law, and know how to recruit. Thomson Reuters, a worldwide firm providing intelligent information for businesses and professionals has launched an HR management and payroll system for 60,000 employees across 100 countries, with a global base of employee information that drives hiring and sourcing decisions (Paterson, 2013). It enhanced predictive and risk mitigation for payroll, allowing payroll managers to gain early visibility into issues, they can adjust prior to payroll processing. It also reduced demand on HR for ad-hoc requests and administrative support, enabling HR managers to better partner with business leaders.

IBM's highly mobile workforce of 320,000 employees, understand the tasks and responsibilities that managers needed to do both on a global level and a local level (Robb, 2006). IBM with 80 years' experience in overseas markets, reversed its H.R. policy and instead of cutting jobs focused on its customers' needs and increased overseas assignments. Being able to sustain its global presence gave IBM the key insight into becoming a trusted solution provider to manage HR Globally for companies like P&G and PeopleSoft (Quelch & Bloom, 1999). P&G’s ten year outsourcing contract for its global HR earned IBM a staggering $400 million in 2004 (Marquez, 2005).

Hewlett-Packard’s recruiting strategies include a staffing methodology supported by a global leadership team and the use of technology in the specific recruitment areas of diversity recruitment, university recruitment, intern recruitment, and experienced candidate recruitment (Greenberg, 2013). Today it has a global HR self-service model integrated with its HP portal, with recruitment included for almost 150,000 employees in 178 countries. Global staffing was implemented to support consistent staffing worldwide, and provides the flexibility needed by a global employer. 3M (Minnesota Mining and Manufacturing Company) has strategy to hire local employees for selling the firms products whenever it decides to expand internationally (Hill, 2010). Coke over the last few decades has changed style styles from central control to local autonomy, now reviews and guides marketing and product development to suit market to market to match local conditions. Nestle realizes cost economies by centralizing key functions such as purchasing, production and R&D while marketing and sales remain decentralized where local managers match consumer needs and local distribution systems (Hill, 2010).

On a similar model, the international division at Walmart overseeing $60billion sales in 14 countries now moves personnel between stores in different countries as a way of facilitating the flow of best practices across national borders (Hill, 2010). Although much of the decisions in the Internal Division are decentralized, Walmart is still struggling to find the right formula for managing global procurement owing to purchasing power it gives while at the same time dealing with the differences of the product mix as its worldwide stores have to tailor them to the local market.
McDonald with a global presence of over 400,000 managers in 118 countries launched its global guidelines in 2004 which allowed local managers to customize their compensation programs to meet local market demands. This resulted in increased employee confidence throughout the organization with more employees believing in the compensation to be fair (Hill, 2010). When the Chinese firm Lenovo bought IBM’s PC operation, the company’s new business language was changed to English and headquarters were shifted to New York to promote acceptance among the diverse workforce to help Lenovo transform itself into a true global corporation with a global workforce (Hill, 2010). This strategic HR move helped Lenovo avoid issue of relational capital (Martinez-garcia-de-leaniz & Rodriguez-del-bosque, 2013) that was one of the main reasons behind the failure of Daimler’s acquisition of Chrysler.

**Extrapolating Best Practices for SMB’s**

Transform ‘HR Generalists’ to ‘HR Specialists’

Transforming and reinventing the HR team by transforming HR generalists to HR specialists that are focused on recruiting, organizational development, employee relations and compensations. The essence of this concept is to shift focus of HR on core business areas rather than support functions (Fitzgerald, 2009b). A key area of strategic focus is leading and developing by replacing “rank and yank” with coaching and development while increasing workforce capability through a global skills supply chain (Deviney, Sturtevant, Zadeh, Peluso & Tambor, 2012).

Outsourcing of staffing processes can be a smart move (Chandler, 2011) for which the use of online tools can cut HR costs (Fitzgerald, 2009a). Online tools can include cloud software or ‘Software as a Service’ (SaaS) HR solutions: Triton, ADP-Total Source, Midwest Automated Time, TalentReward, FutuHR are some companies that can provide mobile payroll management that is ‘on the go’ saving them costs, clutter and time involved with paper work. Cloud-based HR systems recognize the needs of the SMB market to get the kind of value that historically has only been affordable to much larger companies (FutuHR, 2014). Costs of such solutions vary, depending on company size (Small Business HR System Solution, 1994).With the burden of repetitive tasks like payroll, timesheet management and attendance off the shoulder of HR of SMB’s, they can now add value to core business processes by focusing on strategic processes such as succession planning, talent acquisition and rendering high performing teams.

**Relocating Core Competencies to Places Delivering Better Quality, Cost Efficiently**

A true global enterprise IBM, locates its semiconductor R&D and manufacturing operation in upstate New York and Vermont, its global procurement center in China, global services delivery in India and many services support IBM’s websites are in places like Ireland and Brazil. The people at each of these centers are not focused on their national markets but are leading integrated global operations (Hill, 2010). At IBM (Diversitybusiness, 2014), “We used to think about our human capita – our people – in terms of countries, and regions, and business units, we now manage and deploy them as one global asset” and then “the big thrust going forward will be on developing human capital who see themselves as global professionals and do business effectively in a wide range of national contexts” (Hill & Jones, 2012)

Why is it that some organizations or countries are better at doing some specific jobs than others? The reason is culture. It is the culture that brings about the positive work synergies and best
practices that propel the engines of success for top global companies. Germans are more data driven and accept direct confrontation of problems; French on the other hand take confrontations personally but are more articulate in problem solving approaches (Roberts, 2011). Western European and Japanese MNCs emphasize technical competence and ability to acclimate North American corporations select mainly on technical competence (Gomes, 2012). As cultures define demographics and other characteristics, in a similarly fashion, job roles can be leveraged by SMB’s. As an example, P&G does its accounting in Philippines where accountants trained in U.S accounting rules can be hired at much lower salary. Dell call answering centers are located in India. Microsoft and IBM having software development and testing facilities in India. India also serves as a plentiful source of radiologists reading MRI scans for developed countries. HP has developed Singapore to lead design development for its key products. Singapore also attracts hospital patients looking to undergo advanced medical and surgical procedures that otherwise would cost a fortune for people in other developed countries. Employers should assess the value of outsourcing tax and legal services to third-party specialists (Patterson, 2014) and look globally for them.

To help deal with such an environment, a proactive, strategic, and socially conscious approach to offshoring by businesses, and a systematic analysis of strengths and weaknesses of offshore locations, would seem fundamental to future success in the increasingly labor-intensive service- and information-based world economy (Malos, 2010). A globally integrated enterprise is defined to be one having closely connected and coordinated operations, and work moves to where it can be done best-most efficiently with highest quality. (Deviney, Sturtevant, Zadeh, Peluso & Tambor, 2012). Just as global companies look towards relocating job functions locally to other places; SMB’s can follow these trends to relocate job functions internationally to be performed by specialists at cheaper rates.

How can small businesses relocate core business processes?
Expatriation has issues and may not be within reach of an SMB human resources budget. AstraZeneca one of the world’s largest pharmaceutical companies with revenues over $31 billion has 65000 employees worldwide, has learnt that moving manger from country to country is not cheap and cost two to four times an employee’s annual salary (Hill, 2010). Shell realizes its expatriates, made of over 70 nationalities and working in over 100 countries are a key behind the organizations success but Shell has found it harder to recruit for international staffing due to issues arising from separation of family had to start a number of programs in trying to ease the international assignments for the expatriates (Hill, 2010). Similarly, Monsanto, a US based global provider of agriculture products had to launch a number of programs to help repatriates (returning expatriates) coming from international assignments to settle back which has decreased the attrition rate among returning expatriates.

Employing Virtual Teams Offers a Good Alternative
An effective alternates to costly expatriates that can suit SMB’s is to hire virtual teams located across the world, as part of a global talent management program. Virtual conferencing, rising speed of internet and social media usage have made remote communication and connectivity with team members within reach – easy and affordable. These virtual teams can bring in a high quality of work, benefits of cultural diversity and a reduced cost that all result in profits for SMB’s while reducing their vulnerability to the talent sweep threat from multinationals.
Competitive advantage of a global firm is the ability to tap global capabilities and skills to satisfy local customer needs (Pucik & Vladimir, 2007). Whether it’s AstraZeneca, Walmart, IBM or Dominoes - they all strive to assimilate the cultural nuances between employees at various level throughout their organizations. This enables them to gain valuable knowledge, market insights and to build a strong global corporate culture that ultimately result in gaining edge over competitors. Global talent management and leveraging virtual teams has been identified to be one of the key themes of international HRM and global staffing (Collings, Scullion & Dowling, 2009).

Outsourcing global recruitment to Professional Employer Organizations (PEO’s)
Technology and online listings have made it easy for SMB’s to approach local organizations offering hiring services in distant countries, for developing their virtual teams. This effort can be supplemented by popular professional networking sites such as LinkedIn and Yamer, not to mention informal ones such as Facebook that provide good opportunities for SMB’s to approach passive candidates (Dekay, 2009) open to job opportunities. While cost savings remains the main driver behind HR deals, vendors say that as more companies expand globally they are becoming concerned that they do not have the expertise or resources to handle their human resources business processes abroad, and are turning to outsourcing to fill the gap (Marquez, 2005). If an SMB is also having difficulty recruiting global teams directly, then it can assign the responsibility to PEO’s. “PEOs offering both ‘transactional’ and ‘strategic’ HR services can provide the best opportunity for SMEs to experience more positive HR outcomes” (Klaas, Gainey, Mcclendon, & Hyeuksueng, 2002).

Study shows higher growth rates for small businesses that use professional employer organizations for HR and compliance (PR Newswire, 2013) but the assistance comes at a price. PEO fees are 1% to 8% of a client's gross payroll, and savings can be around 21% for using PEO’s. As per the National Association of Professional Employer Organizations (NAPEO), the 2012 PEO industry revenues reached $92 billion in gross revenues. There are several PEO’s such as ARG, TowerWatson, ITAP International, Adecco, Aon, BASIC, Anchor etc. that can provide consultancy services across the globe. During recent years, emergence of many PEO’s has transformed many of HR functions that were once seen an art into a mere science. (Talent Unleashed Towers Watson Gartner, n.d.)

Additional Beneficial Global Themes that SMB’s can Adopt
Two of the biggest challenges to face organizations as identified in the (SHRM Workplace Forecast, 2013) are (a) work flexibility, and (b) professional development and training of employees. We look at some of the best practices of IBM (Deviney, Sturtevant, Zadeh, Peluso & Tambor, 2012) to see how small companies can easily transform both these challenges as opportunities.
(a) Providing flexible work arrangements -small businesses are generally less bureaucratic and foster close relationships with employees and hence they can offer much more flexibility as compared to their larger counterparts (How to Attract Talent to a Small Company, 2014) and can actually do a better job at it. 
(b) Online learning can also facilitate the objective; open forums like Coursera, Edx, Udacity, KhanAdemey and Ted-Ed that provide free learning opportunities at various levels of technical competence, can be used enhance employee effectiveness in skills needed for their jobs. Due to
recent development of global technical standard of employee skill recognition such as Open Badges (Bowen, 2014), employer’s recognition of such initiatives has become tangible and has started to gain international momentum. As popularity increases, SMB’s can offer world class education to their employees, at no cost.

At IBM, diverse teams of high-potential employees from across the globe work for one month with leaders of communities and cities in emerging markets, such as Ghana, Egypt, Turkey and Vietnam, to help revitalize their economies and work on reducing social impediments to this revitalization (IBM Corporation, 2011). This is a concept that can be used by SMB’s to use their teams to effect similar kind of activities, to take the concept of Corporate Social Responsibility (CSR) to the next level by using the hours spent in community service not only to give back to the community but to solve social problems that can foster employee skill development as well. IBM has policy of inducting fresh candidates to bring new ideas into the company. It, attracts and engages the overwhelmed employee by simplifying the work environment. SMB’s can do the same while saving recruitment costs by utilizing free and open recruitment solutions that provide good alternatives for SMB’s looking to save money (Medved, 2013) and improve their talent acquisition channels. These may include initiatives such as SmartRecruiters, iKrut, OpenCATS, Weebly and SoftGarden.

Onboarding (Lamb, 2011), is a term used to cover the new employee aligning experience and the period it takes for them to start delivering to their full potential as they understand the culture and company practices and how to get things done. It can be summarized in the “friendly people helping you” experience at a new job (Titus & Haims, 2014). New employees that have been with IBM with less than a year's period are targeted to identify areas of complexity in business and capture their ideas for simplifications during special ‘Jam’ sessions. IBM employees can have candid exchange of ideas with the CEO. This is seen as a popular trend that is made easy in global organizations through the use of information technology that SMB’s can adapt as well. Today onboarding is recognized as a critically important talent strategy and can vary from 1 to 2 days to years depending on organizations (Titus & Haims, 2014).

The First Steps for SMB’s looking to transform their Local HR, Global
Providing insights into the organizational and cultural change enablers that transformed IBM into a globally integrated enterprise. The authors (Deviney, Sturtevant, Zadeh, Peluso & Tambor, 2012) reveal the key initiative was to engage leaders and employees at all levels which accelerated the adoption of new ways of working for IBM. Global teams are developed from the top to create a global organization in which people work together harmoniously and productively. (Emerging Best Practices of Chinese Globalizers, 2014)

Following are a few important steps:

1. Establishing common values. “Two levels of culture exists, a visible level manifested by observable behaviors AND a deeper less-visible level comprising shared values, beliefs and mindsets. The consensus of a worldwide employee dialogue at IBM settled upon the following three values common to all: 1) Dedication to every client success, 2) Innovation that matters- for our company and for the world, 3) Trust and personal responsibility in all relationships” (Deviney, Sturtevant, Zadeh, Peluso & Tambor, 2012). At Boeing, a similar concept of employee work ownership
(Wilhelm, 1989) is seen, where it’s every employee job to own part of the enterprise risk management process pertaining to them.

2. Becoming ‘change ready’. (Desson, & Clouthier, 2010) use the term change readiness that is critical to success of organizations looking to embrace change for which key support is to be provided by HR related activities that include staff level access to expert resources and on-going support for change.

3. Leaders must engage employees broadly and regularly about shifts required and their role in it. The end-state of the GIE culture should be made ‘tangible’ by describing desired behaviors concretely and simply, to help visualize the new way of doing business (Deviney, Sturtevant, Zadeh, Peluso & Tambor, 2012)

4. Finally, realizing that culture change is a journey and does not happen overnight as time is required to change longstanding mindsets. (Deviney, Sturtevant, Zadeh, Peluso & Tambor, 2012)

Introducing change requires workforce planning that needs to be rooted in the strategy of the organization, emphasis is laid on the five rights - right size, right skills, right shape (clear roles and accountability), right place (having enough right people for a section or a region), right costs (executing all the ‘rights’ cost efficiently) (Shennan, 2014).

Pitfalls to Avoid:
Challenges facing global companies include: cultural differences (53 percent); compliance with data-privacy regulations (42 percent); varying economic conditions across countries (36 percent); time zone differences (32 percent); legal environment (32 percent); and international compliance (26 percent) (HR Focus, 2008). Some key changes that SMB HR managers looking to adapting global HR functions should prepare for:

Respect for local culture. The international HR function creates value by being able to manage the delicate balance between globally coordinated systems and sensitivity to local needs, including cultural differences, in a way that aligns with both business needs and senior management philosophy (Sparrow, 2007). The key is to accept the different cultural norms of the local populations (Reilly, 2012). As an example, MTV boasts 2 million viewership every second of the day which is achieved by running localized feeds to its network of worldwide viewers (Hill, 2010).

A mistake is to sit back and relax after outsourcing! An HR outsourcing relationship is working when the PEO feels informed about the company’s business and correspondingly, the company also feels that the HR service provider is a partner in the business. Often, when a PEO hears from its client on a regular basis, it is a good indication that the HR service provider is viewed as a trusted partner (Lou, 2009)

Developing expertise. Become an expert on the firm’s international business and the countries/cultures in which it does business is integral to success of an HR initiative looking to adapt global practices (Laabs, 1996).
CONCLUSION

The importance of global HR practices and their importance in lieu of emerging trends was established to review underlying success factors of many globally connected enterprises with emphasis on IBM. The research aimed to extrapolate several HR practices for easy and immediate adaptation by small businesses for their benefit. Two key areas were identified. First, reducing burden of routine tasks on HR managers through utilization of tools and technology so HR managers can act as strategists and specialists improving the main business processes. Second, to relocate core competencies to parts of the world where they can be done better, cost efficiently by utilizing virtual teams; this process can be facilitated by employing PEO’s. Other useful concepts of onboarding and leveraging traits intrinsic to SMB’s were also discussed along with recommendations on how to take the first steps towards undertaking this transformation and pitfalls to avoid.

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