

HEALTH WEALTH CAREER

GOING GLOBAL, BEING GLOBAL

A ROAD MAP FOR
EFFECTIVE GLOBAL
TALENT MANAGEMENT
IN M&A



MAKE TOMORROW, TODAY



“Going global” refers specifically to the process of entering new geographies through global expansion and global sourcing, necessitating that an organization add employees and meet local HR management requirements.

“Being global” is the state of business and HR integration that occurs across various parameters — such as strategy, structure, operations, financial and risk management, HR effectiveness, and information flow — and optimizes an organization’s performance as a worldwide entity. Being global typically requires the articulation of a clear workforce growth-and-development strategy with underlying HR philosophies, programs, and policies.

In today’s multinational business environment, organizations are typically in a state of expansion, which we call “going global,” leading to a state of ongoing integration and optimized performance, or “being global.” Talent management and talent mobility are at the heart of these concepts, and they rely heavily on the HR function to rise to the global challenge — particularly during M&A transactions. By recognizing the strategic importance of effective global talent management, companies can significantly improve their chances of success.

GLOBAL TALENT MANAGEMENT: A KEY SOURCE OF COMPETITIVE ADVANTAGE

Only very recently have companies begun to recognize the value of global talent management, to a great extent because other factors (such as access to capital, impact of trade barriers, access to customers, and control and cost of the supply chain) created competitive advantage that overshadowed the impact of talent — particularly local talent. Furthermore, there was a ready supply of talent in the locations that mattered most.

As barriers to competitive success have been eliminated, securing and engaging the best, most cost-effective global talent have proven vital to achieving competitive advantage; but the supply of qualified talent for many key roles has diminished. While mature economies wrestle with baby boomers' looming retirement, all markets wrestle with insufficiently qualified and experienced replacements. And this applies not only to local sales and manufacturing operations but also to the global capabilities and diversity of leadership, R&D, marketing, and all the functional support areas. In the future, the most successful firms will be those that recognize the emerging disconnect between the location of current roles and the location of the best talent — and that most effectively bring “people to jobs and jobs to people.”

World Economic Forum founder and Executive Chairman Klaus Schwab wrote, “The world is moving from capitalism to talentism” — an observation supported by recent research that indicates organizations' ability to differentiate themselves through their talent bases is becoming a key source of competitive advantage. HR and business leaders need to fully understand and address the talent challenges they face as their organizations compete in global markets.¹ Indeed, to be competitive, companies must recruit and develop a differentiated workforce; ensure that employees are healthy, engaged, and productive; and establish an infrastructure of rewards, governance, and operations for their talent programs.

Ultimately, succeeding in today's global business landscape requires leaders who are willing to invest in talent as a key competitive asset, a culture that values talent and seeks to develop the best in every member of its team, and a collaborative mindset that reflects expansive vision and considerable comfort with complexity.

“The world is moving from capitalism to talentism.”

— Klaus Schwab,
World Economic Forum Founder and
Executive Chairman

Securing the best global talent has proven vital to achieving competitive advantage, but the supply of qualified talent for many key roles has diminished.

¹ Mercer and World Economic Forum. *Talent Mobility Good Practices — Collaboration at the Core of Driving Economic Growth*. January 2012.

GLOBAL TALENT MANAGEMENT: BEST PRACTICES

So how can the HR functions of organizations adopt a more targeted and effective approach to global talent management? Whether they're currently going global or being global, they must do the following:

1. Fully understand the business strategy,

specifically as it relates to operating across country boundaries, understanding how operating in multiple countries creates value for the organization, and implementing the core organizational behaviors (culture) needed to drive a successful organization.

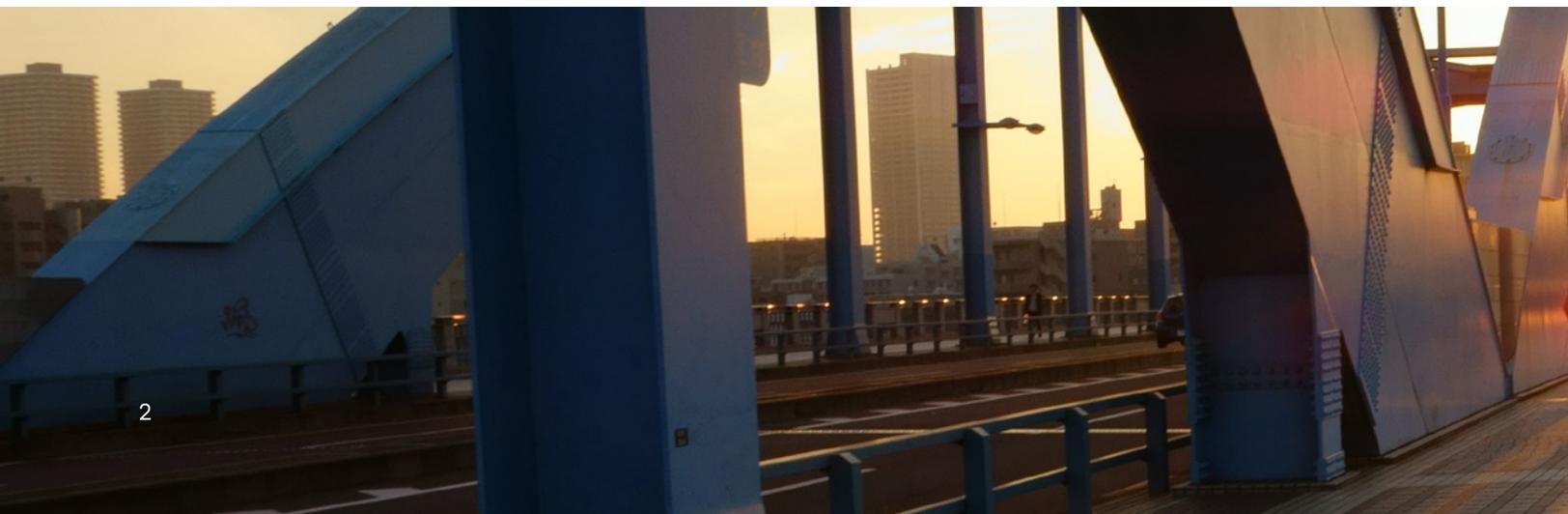
2. Recognize that going global/being global is a process with three distinguishable phases (see Figure 1):

- **Expanding**, whether by acquisition, greenfield development, materially increasing the workforce in an existing location, or outsourcing and offshoring.
- **Aligning** operations around the world to the global business and talent management vision and strategy.
- **Operating** HR efficiently and effectively, recognizing the challenges of global diversity among practices, regulations, and cultures.

3. Identify and integrate the work required to ensure consistency in the HR processes of

expanding, aligning, and operating a multicountry business. HR functional experts must gain a broader understanding of going global/being global and develop collaborative and coordinated approaches to each of the following challenges:

- **Growth:** Supporting complex cross-border growth initiatives such as acquisitions, joint ventures, and new country startups.
- **Talent systems:** Developing talent management strategies to secure, retain, and engage the right employees.
- **Reward systems:** Designing and communicating programs that motivate desired behaviors and are sensitive to local and global needs.
- **Economics:** Ensuring effective financial and risk management of all HR programs, policies, and activities.
- **Governance:** Executing practices that drive compliance and alignment with organizational values across diverse environments.
- **HR operations:** Organizing and operating the HR organization to maximize global and local effectiveness.
- **Information and data:** Obtaining the people-related information necessary to make informed decisions.



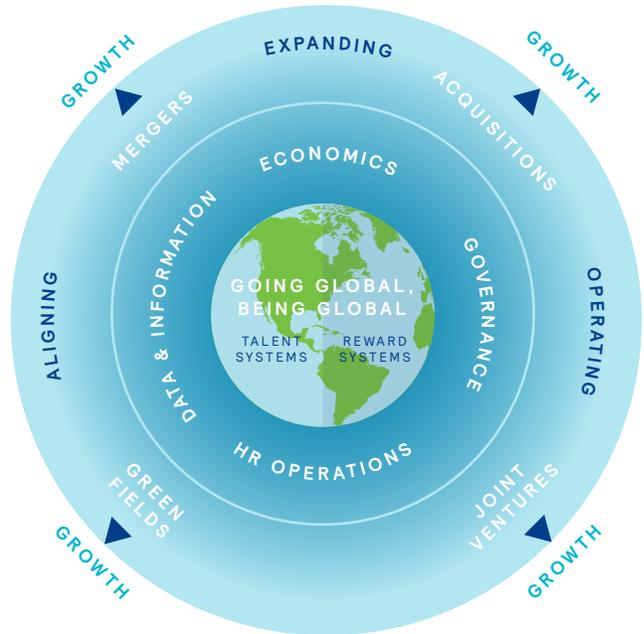
MEETING HR GLOBAL CHALLENGES

Supporting Growth

HR plays a key role in supporting international growth through acquisitions or similar transactions (such as joint ventures), new site development, and the rapid growth of employee populations in existing locations. In pursuing transactions that enable going global, companies will focus heavily on financial and compliance due diligence and on gaining an understanding of locally competitive talent practices. Considerations then will turn to the integration of acquired businesses into existing operations, an exercise that requires a greater focus on the alignment of HR policies, programs, and practices, and more important, the challenges of cultural integration from both national and organizational viewpoints. As the transactions become more complex – potentially multicountry in scope – having documented processes and tools, along with a clear vision of roles and responsibilities, will enable a more efficient process and a more rapid assimilation of the acquired talent.

For new site development or rapid expansion, HR needs to be well-informed about local regulations and practices, and to implement programs that drive the performance needs of the business. In addition, HR must be able to form assessments of local current and future labor markets to help leadership determine optimal locations, and to drive execution of hiring and onboarding so that the new operations are up and running as quickly as possible.

Figure 1: Expanding, Aligning, and Operating Globally



HR plays a key role in supporting international growth.

Global job leveling provides the foundation for the talent management structures needed to align and operate global businesses.

Talent Planning: Building a Firm Foundation

When going global, companies' preliminary talent focus will be on ensuring that the appropriate leadership is in place and effective. This will likely involve the development of an expatriate community of leaders and an assessment of local talent, especially those in more senior positions, that will depend on the strategic priorities of the business. We observe many companies developing approaches to global job leveling, which provides the foundation for the talent management structures needed to align and operate global businesses.

With such a foundation in place, HR can focus on more sophisticated talent planning and resource allocation, with a long-term goal of establishing a global workforce that is leveraged to maximize value and manage cost and is more focused on talent capability than it is on location – in essence, being global. In order to achieve this goal, HR must align its approaches to talent and leadership development, diversity training, and engagement; adopt global career paths; and implement a clear vision of employee mobility and its value to the organization.

Recognizing that talent markets are at different stages of evolution, it is common for organizations to develop different talent strategies for different markets and regions. Most notably, many companies have developed specific talent development strategies for emerging markets that reflect the best opportunities for business growth in the coming years.

Rewards: Driving Workforce Engagement

Whether organizations are going global, being global, or operating in a single location, their reward systems need to support the recruitment and engagement of the workforce and drive the desired behaviors. In a global setting, this becomes more challenging because the complexities of differing cultures, regulatory/tax environments, and histories result in a smorgasbord of practices that need to be understood and managed effectively. The key to success is to have a sound understanding of the desired behaviors of the talent base and to develop a comprehensive total rewards platform for developing appropriate programs that drive desired behaviors.

Companies going global will focus on benchmarking and positioning relative to local practices, while ensuring both an affordable level of cost and compliance with their core rewards values. Companies being global will focus on aligning and operating their global rewards systems, emphasizing the performance-driving elements while keeping in mind that adjustments may be needed to balance a desire for global program consistency with the need to address cultural differences and local employee preferences.

Whether going global or being global, companies seek the same goal: commonality of global behaviors (such as performance, engagement, recruitment/retention) with as much common design as is possible, compromising on consistency only where needed. Too often organizations do the opposite, looking first for consistency of design and then compromising on performance.

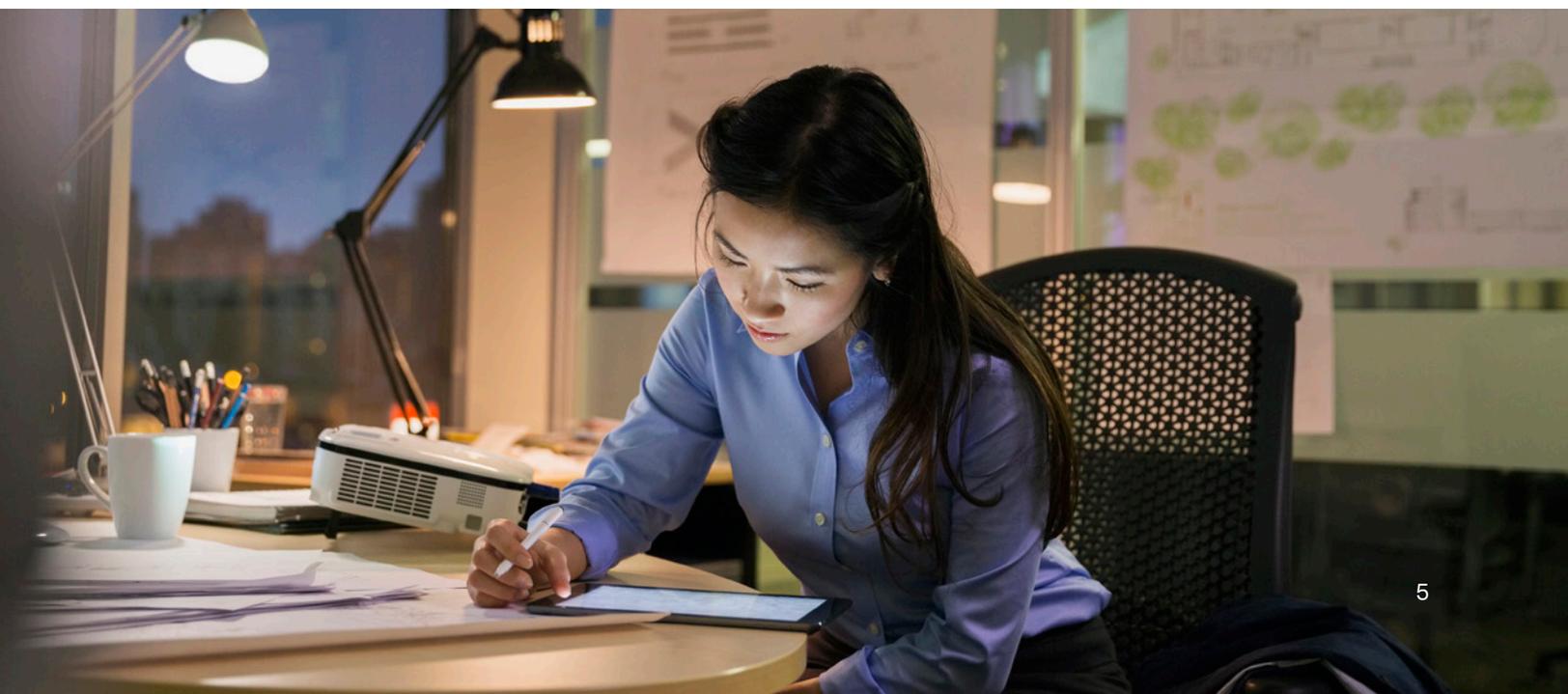
Achieving Economies of Scale and Improving Risk Management

The potential risks, liabilities, and costs of a global workforce are significant. Global organizations can manage these concerns with a thorough due diligence process for growth, but most global organizations have legacy or regulatory commitments to consider, future budgets they need to control, and expenditures to manage through global economies of scale or risk mitigation measures. At a minimum, HR — together with Finance and Risk Management — needs to develop new ways to inventory the global talent financial commitments and to establish a regular reporting, assessment, and planning cadence.

Once the basics are in place, global organizations can achieve economies of scale and improve risk management through vehicles such as the multinational pooling of risk benefits, risk mitigation and asset/liability management of retirement and similar plans, and use of captive insurers for both risk benefits and asset management. These vehicles can be arranged through global advisors who have an understanding of corporate needs and who work with local networks to ensure proper alignment between advice and reporting.

It is common for organizations to develop different talent strategies for different markets and regions.

Being global requires a global rewards system that drives performance and workforce engagement.



Companies have a tendency to export HR policies without considering whether they are locally appropriate or even viable to apply.

HR should operate as a virtual team, staying closely connected with the business both locally and globally.

Global HR Governance: Ensuring Compliance and Enabling Organization Effectiveness

To a large extent, governance is an extension of economics. Global organizations need to adopt the checks, balances, information flow, and decision-making protocols that ensure compliance with ever-evolving global and local regulations, align with corporate policies and values, and enable global alignment and effectiveness. Though global HR governance is conceptually straightforward, the sheer volume of work in a global setting makes execution of global governance challenging.

One common pitfall is that companies have a tendency to export HR policies without considering whether they are locally appropriate or even viable to apply. This is especially true in sensitive areas such as diversity, discrimination, ethics, and other behavioral policies. As for reward systems, governance policies need to focus on consistency and alignment of outcomes and avoid overly dogmatic wording. To ensure that no global policies will result in any unintended consequences, companies should obtain local legal advice (preferably coordinated globally) on the local application of all global policies.

HR Operations and Technology: Improving Key Capabilities

Technology advances have greatly influenced the globalization of HR operations. Much of the HR service delivery model is local, especially during the initial expansion stages. But consistent alignment and operation of HR during these stages result in improved data analysis capabilities; more cost-effective service capabilities (whether internal or outsourced), such as payroll, HRIS, and related technologies; shared services centers; and the technical content expertise required to develop global centers of excellence in areas such as rewards and talent management. The centralization of functional expertise not only enhances the professionalism of the function but also better aligns governance processes and decisions to corporate strategy.

There is a risk of centralized HR becoming distant from the business, however, so HR should operate as a virtual team, staying closely connected with the business both locally and globally, learning from and training local leadership and HR resources, and leveraging expert local and global advisors when appropriate.

Data and Analytics: Gathering Insights

High-quality HR data and information are a core element of HR governance. In the early expansion phases of globalization, local data and knowledge sources are helpful, assuming they are of sufficiently high quality; but when attention turns to alignment, there is value in developing a more comprehensive data acquisition strategy that focuses on consistency of data provided through a common platform accessible locally and globally. Such an approach builds confidence in data analytics and is typically cost-effective. Furthermore, limiting the variation in data sources, already made complex through different platforms (for example, HRIS, payroll, salary surveys, and talent acquisition), enables more comprehensive data analysis to be completed and presented, moving the organization to use data to create insights into its global talent systems, all of which is essential to creating competitive advantage.

CONCLUSION

In today's global economy, senior leaders understand that talent is now a greater source of competitive advantage than ever before — yet research tells us that leaders cite a lack of adequate talent pipelines as one of their most critical business challenges. HR must lead the way in addressing this challenge as organizations expand, align, and operate globally. This requires training HR team members on the business and workforce needs of the global organization; developing tools, processes, and resources necessary to execute on this global journey; implementing the appropriate programs; and developing the infrastructure to ensure success.

In today's global economy, senior leaders understand that talent is now a greater source of competitive advantage than ever before.



APPENDIX: AN HR MANAGEMENT STRATEGY FOR GOING GLOBAL AND BEING GLOBAL

Mercer’s research has identified core considerations and examples of interventions relative to each challenge to support the HR processes of expanding, aligning, and operating a multicountry business:

Challenge	Considerations	Examples of Interventions		
		Going Global		Being Global
		Expanding	Aligning	Operating
<p>Supporting growth</p> <p>Maximize the effectiveness of your global growth strategy</p>	<ul style="list-style-type: none"> • People issues matter to the success of mergers and acquisitions and to investment across borders. • Address cultural integration early in the globalization process. • Exceptional global and local resources and capabilities are needed to support growth. • World-class tools, templates, and processes improve potential for success. • Rigorous project and results management is essential. 	<ul style="list-style-type: none"> • Due diligence focus. • Primarily financial analysis. • Competitive benchmarking. 	<ul style="list-style-type: none"> • Integration focus. • Cultural alignment. • Common communications platform. 	<ul style="list-style-type: none"> • Comprehensive M&A playbook. • Global PMO. • Performance tracking and metrics.
<p>Talent planning</p> <p>Optimize your global workforce</p>	<ul style="list-style-type: none"> • Build a comprehensive talent-planning process and decision framework to support a growth strategy. • Identify workforce and capability gaps. • Engage with and create a sense of urgency among senior management. • Analyze hard data to track dynamics. • Create lines of sight among the talent management, acquisition, learning and development, and global mobility functions. 	<ul style="list-style-type: none"> • Home-country expatriates. • Leadership assessment. • Job slotting/leveling. 	<ul style="list-style-type: none"> • Talent and leadership development. • Performance management. • Career pathing. • Increased mobility. 	<ul style="list-style-type: none"> • Global workforce planning. • People to jobs, jobs to people. • Virtual roles.

Challenge	Considerations	Examples of Interventions		
		Going Global		Being Global
		Expanding	Aligning	Operating
<p>Rewards</p> <p>Maximize the effectiveness of global rewards systems</p>	<ul style="list-style-type: none"> • Address rewards holistically as <i>total</i> rewards. • Apply a flexible global strategy that can be adapted to the needs of local businesses. • Recognize varying employee engagement drivers. • Benchmark relevant labor competitors. • Seek global or regional delivery capabilities. 	<ul style="list-style-type: none"> • Benchmarking. • Core philosophy alignment. • Financial drivers. 	<ul style="list-style-type: none"> • Performance orientation. • Values-driven. • Common platforms for design and delivery. 	<ul style="list-style-type: none"> • Global governance. • Dashboards and metrics. • Integrated management team.
<p>Economies of scale and risk management</p> <p>Ensure the most effective investment and management of financial resources</p>	<ul style="list-style-type: none"> • Understand the cost parameters of the business, both now and in the future. • Identify where material financial exposure exists and establish appropriate reporting procedures. • Develop and implement risk mitigation plans. • Seek economies of global/regional scale. • Use financial dashboards to track progress. 	<ul style="list-style-type: none"> • Inventory of costs, liabilities, assets, and risks. • Basic financial compliance and reporting. 	<ul style="list-style-type: none"> • Multinational pooling. • Global actuarial management. • Coordinated budgeting. • Consistent analytics. 	<ul style="list-style-type: none"> • Integrated reporting and analysis. • ROI intervention. • Global synergies (assets, liabilities, risks, and cost management).
<p>Global HR governance</p> <p>Maximize global policy development, decision-making, and oversight</p>	<ul style="list-style-type: none"> • Establish effective committees and document decision-making protocols and outcomes. • Globalize (not export) policies, processes, and tools. • Understand and embrace local nuances. • Select global advisors with strong local presence and seek legal advice. • Review/audit regularly. 	<ul style="list-style-type: none"> • Inventory of HR programs and practices. • Benchmarking. • Focus on compliance. 	<ul style="list-style-type: none"> • Coordination of HR policies. • Incorporation of organization-wide values. • Business-need-driven priorities. 	<ul style="list-style-type: none"> • Comprehensive governance documentation. • Global information management. • Clear decision-making protocols. • Reputation management.

Challenge	Considerations	Examples of Interventions		
		Going Global		Being Global
		Expanding	Aligning	Operating
<p>HR operations and technology</p> <p>Maximize the effectiveness of the HR function and systems</p>	<ul style="list-style-type: none"> • Build global HR skills in business partners and centers of excellence. • Leverage technology, shared services, and outsourcing. • Establish HR organization design to support global business design. • Establish workforce analytics and planning processes. • Engage and train line and country leadership. 	<ul style="list-style-type: none"> • Local delivery focus. • Getting the basics right. 	<ul style="list-style-type: none"> • Common platforms locally, regionally, and globally. • Synergies. • Shared services. • Understanding of legal and service provider constraints. 	<ul style="list-style-type: none"> • Centers of excellence. • Global external relationships. • Enhanced global platforms.
<p>Data and analytics</p> <p>Access the best data to support recommendations</p>	<ul style="list-style-type: none"> • Implement a market data strategy aligned with the HR and rewards strategy, and clarify data needs. • Train managers to understand the importance of data quality and methods. • Secure information from providers with broad geographic coverage to facilitate global and regional consistency. • Ensure that benchmarking universes focus on the right competitive talent markets. • Seek information providers that go beyond the raw data to provide analytics, context, and understanding. 	<ul style="list-style-type: none"> • Local knowledge sources. • Quality standards. 	<ul style="list-style-type: none"> • Core information strategy. • Common data platforms. • User training. 	<ul style="list-style-type: none"> • Global partnerships and efficiencies. • Movement beyond information to insight.

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