

The Challenges of Implementing Global HR Systems and Processes

Over the last few years, we have seen an increasing number of multinationals implementing Globalised HR Systems, often in conjunction with Global Shared Services centres or 'Control Towers' structures. These can take many forms, but usually involve a combination of the following:

- Design, adaptation and implementation of specific HR process workflows, commonly throughout the entire employee lifecycle (or as it's sometimes known, 'hire to retire')
 - Incorporation of a Shared Service Centre, involving finance, HR and other back office functions
 - Relocation of existing roles from their current locations into the Shared Service Centre, often across borders
 - Changes to roles and streamlining of teams.
- Our involvement in these projects has given us a front row seat in dealing with these issues, and the purpose of this article is to share this learning as well as highlighting common issues, mistakes, challenges and misconceptions, so that readers who are seeking to implement their own such processes are prepared. We have focused in this article on the design and implementation of HR Systems and Processes. Dealing with the issues surrounding Global Shared Services centres or Control Towers structures is an article in its own right.

Implementation of Global HR Processes often proceeds in stages:

- Process Design and Review
- Implementation
- Optimisation

We look at each of these in turn below:

Process Design and Review

Many HR Systems and Solutions focus around standardised global HR process workflows, for example, for voluntary or involuntary separation, employee data management, application and recruitment processes etc. These products are sold by a variety of vendors and vary from 'off the shelf' systems and workflows, to bespoke products designed around the needs of a specific business. However, in our experience, whether 'off the shelf' or bespoke, these products, workflows and processes are often primarily procedural or analytical in nature and lack commercial,

organisational or indeed, crucially, local legal context, often being designed within a specific market in mind (often the US market) and not factoring in local legal requirements.

This means that whilst these processes work functionally 'out of the box', there is significant risk of breaching local data, employment and other laws if they are used without modification in any jurisdiction other than that which they are designed for. In simple terms, there is no 'one size fits all approach', meaning that it is critical that each process is validated for each of the local jurisdictions it is intended to operate in.

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Validating the processes locally requires a business to engage with their key local HR stakeholders and their local legal advisers in reviewing the workflows for the following:

- Any formalities or necessary steps that need to be included (e.g. in disciplinary invitations)
- The key information which is legally required to be included at each stage
- Any 'hidden' implications of particular elements of the system or process which might trigger a specific employee or consultation right
- Any matters covered by a local or national collective bargaining agreement (which

would of course not be factored into the system or workflow) and which might require consultation

- Any notification obligations that may be required e.g. to a local labour authority
- Specific classes of protected employee
- Any practical issues which need to be considered – for example, relationships with Works Councils, non-binding expectations of consultation on certain matters with employer representatives, etc.

An ineffective or incorrect system or process, or an inadvertent error or omission (which almost always, in our experience, arise due to lack of local knowledge), could have significant legal as well as commercial consequences.

For example, if a dismissal is found to be procedurally unfair (e.g. because the process omitted a key step), whilst some jurisdictions allow for financial compensation as a remedy, others will find the resultant dismissal void, meaning the employee has to be reinstated. Given employment cases in some jurisdictions can take several years to appear before the courts, the potential financial losses to an employer are large as they would have to not only reinstate a disgruntled employee, but also pay them back pay for the period they were not working. Additionally, some jurisdictions impose criminal sanctions for certain breaches, usually where an employer has failed to comply with the obligations that it owes a Works Council, Trade Union or other employee representative body. These criminal penalties may be levied either against the Company or, in some cases, nominated individuals such as the local Managing Director or HR Director. Finally, local HR and operational teams need to have confidence in the 'new' system, otherwise they will find ways to circumvent it, meaning the efficiencies that the system aims to bring will be lost.

It is important that the process review is not prescriptive and does not seek to completely re-design the system and/ or accompanying workflows in each country. Simply put, to do so would defeat one of the main objects of these systems, being cost savings, consistency of approach and efficiencies within the global HR process. It would also make the idea of an HR Shared Services Centre or Global Business Solution virtually unworkable. Any information added can (and indeed should) be limited to key local requirements rather than best practice in most cases since best practice, while nice

to have in place, is not strictly necessary.

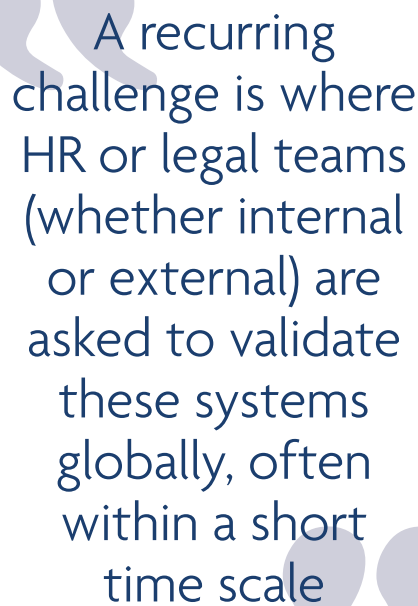
The process review, whilst vital, therefore needs to be undertaken at a high level and with a sensible and experienced eye on the commercial risks. It also needs a project manager who understands the basics of local law in as many of the key jurisdictions as possible, as well as the particular pressures of the client's business and operations, as they can ensure that the timetables are realistic whilst also keeping external counsel focused on the relevant issues and at the appropriate level of detail.

One common flaw we have seen at the process design stage is a lack of engagement with those within the HR function who have the requisite knowledge to 'localise' the processes. This is understandable, as, due to the highly confidential nature of these projects, businesses often prefer to involve local experts at the last minute only. However, whilst there are clear advantages to this in terms of confidentiality, lack of local knowledge or review at an early stage can lead to delays later on. Ultimately, designing and implementing these systems (whether as part of a shared service centre or not) costs a lot of time, effort and money. Even if they are bought 'off the shelf', the systems, workflows and accompanying software that goes with them are not cheap (whether in financial terms or simply in terms of the time and effort commitment required from senior leaders within the organisation), likewise any investment in a Shared Service Centre or Global Business Solution. As such, businesses in our experience often have a strict timetable to which they want to operate – frequently one to which they have committed in communications with their shareholders or the markets.

A recurring challenge is where HR or legal teams (whether internal or external) are asked to validate these systems globally, often within a short time scale. In addition to choosing the right project manager, success will depend upon the project being clearly and concisely managed and the central project team having a strong working relationship with quality local counsel who most importantly, are experienced in reviewing these types of systems and processes. It is also important that they are able to build relationships internally in short order – getting these systems up and running requires everyone to understand their role and to 'pull together'. There is often little time to spare educating local counsel (or indeed local HR) on the reasons for these HR systems or how they are intended to work, particularly as global sharing of information and/or global decision-making is viewed with a somewhat sceptical eye in some jurisdictions. The project team also need to have an understanding of the appropriate level of amendment to propose – in our experience, many counsel, on reviewing

these systems and processes for the first time, are resistant to their implementation as they view them as problematic under local law.

We therefore recommend including a clear planning phase to these projects, with key milestones mapped out, including time for engagement with and feedback from local HR and counsel. In our experience, the last thing that HR (or indeed legal) want is to be viewed as a roadblock to implementation, but it is critical that they are both involved early enough in the design process if delays are to be avoided.



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Implementation

Once the design phase is finished, there is often a temptation to feel the hard work is done - if only! Whilst that can seem superficially to be the case, given the long, fraught hours involved in trying to collate and standardise advice across multiple time zones, the hard work does not stop there and, if anything, it's just the start. Implementing these systems and accompanying processes often involves significant change for employees (both within the HR population and the wider employee population). For example, HR employees may see their roles change or be relocated, sometimes by way of an auto-transfer. Non-HR employees may see a significantly different way in which they interact with HR, or the introduction of more centralised or overseas monitoring of them. Each of these matters are things which may, in some countries, require either individual consultation or consultation with employee representatives. Often, consultation should take place before any decisions are reached, in some cases before any proposal is made public. Failure to comply with these obligations will likely lead to the financial

and/or criminal penalties referred to above.

For this reason, the implementation phase will likely require carefully planned consultation and communications, the timing of which may vary from country to country both for commercial reasons (e.g. a staggered roll-out to 'stress-test' the new system) and legal ones (e.g. where any communications have to be 'cascaded' through the employee representatives and consultation with them needs to be genuine and suitably detailed). It is important that this is factored into the project plan at an early stage rather than being a last-minute realisation and resultant 'panic'. Where consultation with employee representatives is to be undertaken, we would also recommend identifying the key individuals to that relationship (e.g. the local MD/HRD) and making sure that they are on board with the project, as they will be the ones that have to 'sell' it to the employees and their representatives.

There may of course be a need to 'sell' the project to local operational and HR teams. It is tempting when planning or considering implementing these projects to assume that everyone will see them as beneficial to the overall efficiency of the company, allowing for greater consistency of approach and a pooling of resources. Whilst that may well be the case, there will inevitably be pushback not only from those whose roles are directly impacted, but also from those who are used to have HR 'on their doorstep' or reporting into them.

Optimisation

Once a system and/or process has been implemented, there will inevitably be teething issues. Often, this is seized upon by those within the local entities who wish to revert to the former structure and processes – this should be refused. Instead, whoever internally 'owns' the new HR systems or processes should actively engage with senior staff in country and find out what is working for them (and what isn't). This can then be fed back into design updates, although again it would be sensible to try and prevent these from diverging too much from the desired 'standard' if commercially possible. The same caveats apply as for the design phase and the implementation phase – there may well be 'hidden' issues which require consultation and/or specific processes to be followed. We would always therefore recommend that any changes (other than minor changes) are reviewed by the relevant local counsel who carried out the first review.

So What Can Be Done To Make These Projects Run More Smoothly?

We've identified below our ten top tips for planning and implementing a successful global HR process. These are:

1. Do your due diligence – identify the countries and entities potentially

affected at an early stage, as this will help to identify any potential 'hotspots'.

2. Prepare a project plan – this will ensure that any key timings and milestones are identified early on and a realistic timeline prepared.
3. Engage with key internal and external stakeholders and experts at an early stage – their advice will be key on potential timing issues and hotspots.
4. Gather any internal knowledge that you may have – for example, from other projects, outsourcings etc. that you have been involved with (for example, we use our proprietary Global Edge database to gather information initially without the need to consult local counsel, which saves time and cost).
5. Find the right project manager(s) – it's unlikely that those running the project will be experienced in delivering a project of this size across multiple jurisdictions. It is therefore critical that the right project managers are chosen as there are a lot of particular nuances to implementing these systems and processes.
6. Choose the right local counsel – they need not only to understand how local law impacts on these specific systems and processes, but also how to clearly and succinctly express these issues.

The project team simply will not have the time to review and summarise lengthy, detailed advice. It has to be presented in a form that can be presented to the Board.

7. If there is to be a staggered roll-out, identify the primary jurisdictions as soon as possible and focus resources accordingly – this will allow for more efficient use of internal and external resources.
8. Ensure the project team have access not only to the HR workstream, but also any operational and commercial workstreams – this will ensure that any commercially key information is factored into the approach and will avoid any of the workstreams becoming 'out of step' with the others.
9. Schedule regular catch-up calls, both globally and locally! This is vital, as it allows for a regular flow of information from the central project team to the relevant local team(s), and vice versa.
10. Ensure that communications are carefully planned – in some cases, due to strict consultation obligations, there may need to be a 'communications cascade' where e.g. local Works Councils receive information under confidentiality notice 2 days or more in advance of the main communication going out to employees.



DAVID REGAN

Article by David Regan and Chris Lynn, Squire Patton Boggs. Squire Patton Boggs operates 47 offices in 20 countries. Please visit www.squirepattonboggs.com for further information.

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