

THE ESSENTIAL ROLE OF HR IN CORPORATE CULTURE AND STRATEGY

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The attention given to human resource management has been changing over the past 20 years. HRM used to be considered as a secondary support function, merely focusing on administrative tasks related to recruitment and selection, development and training, and performance management. However, with the advent of strategic human resource management, the firm has rediscovered how critical people are in the implementation of its strategy



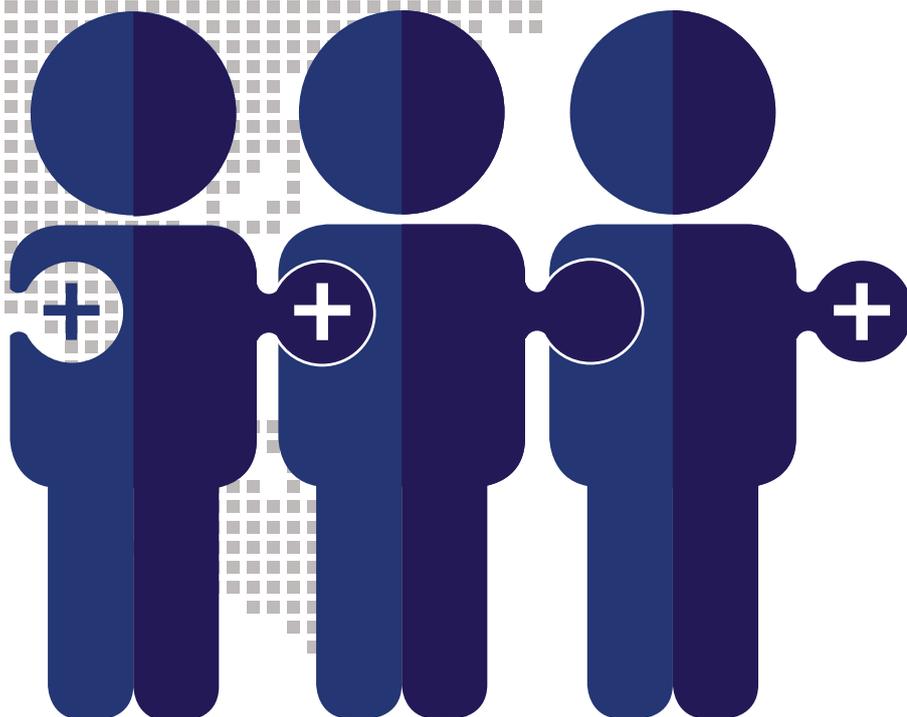
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While a sound strategy is important, the firm needs to specify the organisational capabilities needed to support the business, evaluate internal gaps if any, and then design and deploy HR practices that enable differentiating capabilities.

For companies that internationalise, one of the main decisions is whether to push for consistency or differentiation in their HR policies between their home office and their country subsidiaries. While management practices – including HR – may have been a source of competitive advantage at home, they may not translate into the desired organisational capabilities in different cultural and administrative contexts. As for the strategy that considers global integration vs. local responsiveness, HRM must also contend with the same pressures.

Corporate structures – functional, divisional, geographic, matrix, network – often stem from the historic development of the firm. For internationalising companies, their structure will often depend on whether they have distinct product lines and/or markedly different geographic markets. While research and practice have shown that there is no one best corporate structure, the role of the HR function should be to compensate the inherent weaknesses of the structure the firm has adopted. For instance, if the firm is organized around country divisions with much authority centralised at headquarters, HR processes should counterbalance the concentration of power with the creation of links between country units outside the formal organisational chart; this can be achieved for instance through rotation programs, cross-country team projects, short-term expatriation, impatriation, and the promotion of local talent.

Corporate culture is inherently difficult to manage top-down and strong organisational cultures often reflect values and practices honed over many years. HR is a very good starting point to shape the corporate culture. By definition,



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corporate culture deals with internal integration and external adaptation. In short, the new hires have to conform to the existing culture, but are also instrumental in shaping it. Therefore, the HR function is instrumental for change management through attraction and selection, development, and performance assessment to ensure that the values important to the organisation are understood, shared, created and pursued.

Japanese corporate culture is relatively stronger than in firms from other countries. That is to say that the firm's values, norms, beliefs, practices, and expectations are widely shared and aligned. One reason can be found in the recruitment and socialisation processes of Japanese companies which mostly hire fresh university graduates based on fit with the firm's culture, and then extensively train them over several months. This emphasis on selection and internal labor markets coupled with unquestioned loyalty also has a downside for internationalisation since it is not always compatible with localisation, preferring Japanese "company men" and centralisation. This leads to social capital with strong internal bonding but little bridging ability with outside firms or the competitive environment. Some Japanese firms have recently resorted to hiring outside CEOs, non-Japanese or from other industries (Takeda, Suntory, Shiseido) to help them gain the international experience they need and break away from their corporate insularity.

CEMS students are very international and they come from very diverse backgrounds. We always have very lively discussions about real company cases and the role of HR in strategy-making and implementation. When it comes to standardisation and localisation of HR practices, the students have strong opinions whether international firms should adapt to the environment of the countries in which they were brought up or in which they studied. Students often start their answer with "of course, companies should do this or that". However, other students invariably come up with counter-examples of international companies that have done it differently. It frequently boils down to people selection and finding human capital compatible

with the firm's culture. From an HR perspective, no policy or practice should go unquestioned and it starts with "of course" attitudes.

In my experience, seasoned HR managers are already aware of – and often frustrated by – the lack of attention their function receives from top management, especially when it comes to global HR issues. As mentioned previously, HR executives should be included in the strategy-making process, as any strategy will need to take into account current organisational capabilities which are supported by human capital, in order to identify gaps to be filled by the HR function in developing or acquiring the talent essential for future organisational capabilities supporting the new strategy. So my advice is to include a rotation in the HR department for the development of young leaders who are bound to occupy top management positions.

ABOUT THE AUTHOR

Dr. Magnier-Watanabe teaches the Award-winning CEMS course in Global Management Practice at Keio University. He is originally from France, but has lived and studied in three countries: graduating from the Grenoble School of Management in France (BS, MS), holding an MBA from the Georgia Institute of Technology in the United States, and received his PhD in Industrial Engineering and Management from the Tokyo Institute of Technology in Japan



