WORLDLINK

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Linking personnel and human resource professionals around the globe

New team for **EAPM**

Rudolf Thurner, Head of the HR Department of Austria's largest electricity company, the Verbund Group, and President of the Austrian HR Association, 'Forum Personal' at the Austrian Centre for Productivity and Efficiency (ÖPWZ), has succeeded has succeeded Ireland's Mike McDonnell as President of the European Association for Personnel Management (EAPM).

He has also joined the Board of the WFPMA, replacing long-standing member Hans Böhm,* who will be retiring as executive director of Germany's DGFP at the end of this year.

The DGFP has also just passed the Secretariat of the EAPM on to France, with Pierre-Yves Poulain of the ANDRH taking the role of Secretary General.

EAPM Treasurer remains Martin Zuber of Switzerland and Peter Haen of the Netherlands Vice-President.

*Dr Böhm is co-author with Christian Scholz of the University of Saarland of a new book on HRM in Europe, written under the auspices of the EAPM and to be published in November. Covering 12 EU countries – from founder members France and Germany to new entrants Latvia and Poland, plus one EU outsider, Turkey – the book will address the varied and particular contexts and challenges for HRM in the different countries and should prove of especial value, say publishers Routledge, for investors from other continents, notably the US and Asia.

OECD countries fail to tap talent of immigrants

IN ORDER for migration to be a more effective solution for labour shortages and ageing populations in OECD countries, more attention needs to be paid to integration policies, particularly in the realms of education and the labour market, according to a new report, *International Migration Outlook.*

Recent OECD analysis shows a large mismatch between immigrants' qualifications and the jobs they are obliged to take, for which they more likely to be over-qualified than their native-born counterparts.

Foreign-born women seem to be at an even greater disadvantage, states the report, and face higher unemployment rates than native-born workers. And for second generation migrants in the age group 20-29, the rate of unemployment in some countries is up to twice as high as that for children of natives.

Most OECD countries are trying to attract and retain highly skilled immigrants, and indeed migration – both permanent and temporary – is on the rise. But that strategy only makes sense, says the report, if people are used effectively in the host-country labour market.

Measures suggested to help integrate immigrants at their level of skills include:

- better recognition for foreign qualifications (in Canada discussions are taking place over the creation of an independent agency for recognising references and qualifications acquired abroad) and access for employers to information on education (such as via Internet platforms or on-the-job skills evaluation);
- lifelong training (eg refresher programmes and vocational language courses);
- reducing the number of regulated professions and jobs closed to foreigners; and
- strengthening anti-discrimination measures – to back up last year's new legislation, Norway will set up a tribunal and an ombudsman dedicated to equality and anti discrimination; Sweden is considering something similar.

Other examples of effective integration policies cited in the report include wage subsidies, which proved to be relatively more effective for immigrants than for the native-born (for example in Denmark), employer-based training (in Sweden and Denmark) and the promotion of apprenticeship (for example in Germany for the second generation).

Health workers

Possible 'brain drain' of doctors and nurses from developing countries is a particular cause of concern, with African and Caribbean countries, many of whom have expatriation rates of over 50 per cent, standing out as being disproportionately affected. This outflow adds to the workforce challenge these countries face and, indeed, their estimated labour shortage in the health sector is almost eight times higher than the number of foreign-born health workers in the OECD region coming from those countries.

Origin and receiving countries need to work together to find the appropriate balance between the right of health professionals to move between countries and the allocation of their skills to where they are most needed, says the OECD.

Another recent OECD study on 'Jobs for immigrants: Australia, Denmark, Germany and Sweden' is intended to contribute to a better understanding of policies that can work.

- *International Migration Outlook 2007* is available to buy in paper or electronic form from *www.oecdbookshop.org*

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Next issue

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Australia toughens up legislation on the employment of illegal workers

report by Paul Begley

New obligations in relation to the employment of illegal workers will apply in Australia from 19 August 2007. Under the Australian Migration Amendment (Employer Sanctions) Act 2007 it will be an offence for an employer to knowingly or recklessly allow an illegal worker to work or to refer an illegal worker to another business.

Illegal workers are defined as non-Australian citizens who are working in Australia without a visa or whose visa does not allow them to work. Work includes unpaid work.

The offences apply to employers, labour hire companies, employment agencies and other people who allow illegal workers to work or refer illegal workers for work.

However, a head contractor at a building site, for instance, would not be committing an offence if a sub-contractor engaged an illegal worker, because only the subcontractor would be in the contractual relationship with the illegal worker. Similarly, a business using the services of a worker obtained from a labour hire company who remained the legal employer of the worker would not be liable unless it also had a legal relationship with that worker. In these situations the subcontractor and the labour hire company could be liable.

Individuals convicted of offences face fines of up to A$13,200 and two years' imprisonment. Companies face fines of up to A$66,000 for each illegal worker. The penalties are higher where an illegal worker is exploited through slavery, forced labour or sexual servitude.

Employers have no obligation to check the work rights of existing workers unless their contracts are renewed or extended after 19 August.

Australia is increasingly feeling the effects of a skills and labour shortage in a number of occupations in a wide range of industries. For many employers the appeal of skilled workers from other countries has been very strong and the demand has resulted in many immigrant workers entering the country on what are called 457 visas that enable them to work in Australia for the period specified on the visa.

The new obligations under the Australian Migration Act will take force against a background which has recently seen the playing out of a high profile case in which a medical practitioner from India had his work visa revoked following controversial allegations of complicity in the Glasgow car bombing incident.

● Further information on the legislation is available through the Australian Department of Immigration and Citizenship website. See *www.immi.gov.au/managing-australias-borders/compliance/employer-obligations/index.htm*

Paul Begley is Manager, Government Relations and Communications for the Australian Human Resource Institute (AHRI)

From 'Shroom' to 'Sherm'

The United States' Society for Human Resource Management has recently undergone a rebranding exercise, which, apart from logo and other design changes, involves a policy that it should be known by the acronym 'Sherm'.

SHRM SOCIETY FOR HUMAN RESOURCE MANAGEMENT

The fact that so many people already use the acronym (albeit variously pronounced – by the initials separately, as 'Shroom' and, mainly in the US, as 'Sherm') is indicative of widespread awareness of the US association, which is the largest among WFPMA member organisations.

Europe's HR challenges

Jean-Michel Caye, Rainer Strack and Michael Leicht report the key findings of a major new survey undertaken for the EAPM on the HR issues facing European companies today and over the next seven or so years. In particular they focus on the areas where HR professionals and their line management colleagues see shortcomings in vital capability

Human capital has never played a more important role in business than it does today. So many companies' fortunes depend on ideas and ingenuity, and yet the people who supply the creative spark are free agents, able to leave at will for better opportunities, a better work environment or better quality of life. On the other hand, the global economy means new and productive sources of labour are emerging, and to acquire and accommodate these companies must adjust their HR strategies.

We live in an ageing society, in which key labour shortages loom; we also live in stressful times in which increasingly employees are questioning the meaning of their work and are looking for more than just a way to earn their living; and finally we live in changing times, in which corporations must be willing to alter their strategy, organisation and culture at short notice. Change creates and compounds uncertainty, and companies must manage this with employees in mind.

Unfortunately, although executives seem to appreciate the elevated importance of people, research confirms that many are not yet sure how best to tap the power of human capital. Companies continue to lack a deep understanding of the dynamics of human resources; they find it extremely difficult to measure the contributions made by individual employees – and harder still to gauge the success of an HR strategy or practice.

To help companies quantify and better understand the HR issues most relevant to them today and, more importantly, in the future, the European Association for Personnel Management collaborated with the Boston Consulting Group to launch a pan-European research project. This began with a list of 40 HR topics, which were whittled down to the 17 deemed most relevant by HR experts and following an exhaustive literature search. In-depth feedback on these topics was then sought from HR and non-HR executives through an anonymous web-based survey.

The 1,355 survey responses reflected the full spectrum of European companies. Respondents represented 27 countries and all relevant industries. Slightly fewer than half – 46 per cent – of the respondents worked at small and medium-sized companies employing up to 1,000 workers; 49 per cent worked at companies with a workforce exceeding 1,000 and about 5 per cent did not report their company size. HR professionals accounted for 82 per cent of the executives who responded.

In parallel to the survey, we conducted interviews with over 100 senior executives to explore several HR topics and company practices in greater depth. Together, the survey and interviews provide a captivating picture of HR practices in Europe today, as well as expectations for the future.

Countries participating in web survey and interviews

	Web survey responses	Number of interviews
Austria	45	
Belgium	9	2
Bulgaria	28	
Cyprus	21	
Czech Republic	47	10
Denmark	41	5
Estonia	36	
Finland	19	
France	113	14
Germany	133	21
Greece	11	
Hungary	18	
Ireland	125	4
Italy	99	11
Latvia	4	
Netherlands	18	3
Norway	53	
Poland	6	
Portugal	64	
Russia	20	12
Slovakia	4	
Slovenia	25	
Spain	121	5
Sweden	86	
Switzerland	72	3
Turkey	24	
United Kingdom	64	12
Not specified	49	
Total	**1,355**	**102**

Out of the list of 17 HR issues, five were rated as the ones with the highest future importance and, coincidentally, the lowest current capability for European companies *(see fig, page 4)*. Addressing these issues will help corporations build and sustain competitive advantage. In feedback gleaned from the survey and the following interviews, several possible actions were identified for enhancing each of these sets of capabilities.

1 Managing talent

Talent shortages loom, both in Europe and in new markets abroad. The number of European companies moving to places with superior educational systems – like India – to gain access to more talented people will triple in the next five to eight years.

To improve capability in this most critical area, based on what participants told us in the survey and on our experience, companies should:

Assess their future talent needs in the light of strategic and business requirements, such as the desired pace of growth or targeted future locations;

Monitor and manage the pipeline of future leaders;

Identify the specific types of employees they seek and the best avenues for reaching them. For example, companies seeking employees with expertise in computer science would recruit at different universities and tap different professional networks than those seeking expertise in mechanical engineering;

Broaden the talent pool by attracting and retaining diverse groups of employees – different ethnic groups, women, older workers etc – from all over the world;

Offer potential and current employees a value proposition that aligns closely with their desires as well as with the employer's brand;

Match talented individuals with key positions within the organisation and implement mentoring programmes;

Continually adapt career tracks to address internal shifts in the workforce, business strategy or external client needs;

Separate long-term planning decisions from short-term activities so that, for example, valuable job-rotation activities are unhampered by any short-term implications on profit and loss;

Offer development opportunities at corporate universities to top-performing managers so that they share a common understanding and philosophy about leadership;

Ensure an ongoing and positive relationship with all former employees by managing their departure effectively.

2 Managing demographics

The Baby Boom generation is getting older – not to mention its predecessors. European companies face two different risks: the loss of productivity as these workers age and the loss of capacity and knowledge as they retire. ▶

Survey respondents were well aware of the problem but rated their capability to manage demographics lower than all areas other than talent management. Tried and tested tools of the trade include:

Implementing 'job family' and qualification systems that group employees with related skills;

Assessing how the workforce will develop by projecting the average age and the age breakdown of the workforce in 5, 10 and 15 years – taking into account manageable parameters such as retirement, attrition and recruitment rates;

Modelling labour demand by job families for the next 5, 10 and 15 years. The model should be linked to business strategy, taking into account, for example, the desired pace of growth;

Analysing – as a follow-up to the labour demand model – both supply and demand scenarios by job families over various time horizons to assess the risk of surpluses and shortfalls in capacity;

Identifying measures to mitigate any risks by transferring, qualifying, retraining and implementing health management programmes for employees as well as by recruiting externally.

In particular among procedures for handling the lower productivity of older workers the following were mentioned:

Additional days off for employees who exercise at least three times a week;

The chance to rotate between jobs that involve varying degrees of physical exertion;

On the job group exercises to train skeletal muscles;

Matching employees to jobs' ergonomic requirements.

3 Becoming a learning organisation

Corporations must prepare their employees to cope with the complexities and speed of a global economy, and not least as education systems fail to keep up with the pace of change. But training must of course be linked to business strategy. The following steps for building a learning organisation were highlighted:

Derive learning needs from the business strategy and obtain a comprehensive overview of individual development needs;

Continually integrate internal business requirements into the portfolio of planned training;

Select the right learning instruments for meeting each specific need, such as training, coaching or action learning;

Define and measure the return on investment that executives expect from learning and development, and continuously adapt the training operations accordingly;

Institutionalise an ongoing feedback loop into all learning activities.

4 Managing work-life balance

The boundaries between private life and work life are blurring. Several executive recruiters stressed the trade-offs candidates are increasingly willing to make between pay and quality of life. Companies will have to offer more flexible arrangements and more meaningful work in order to attract and retain key people. They should:

Use surveys and other assessment methods to identify employees' and potential recruits' priorities and preferred options in terms of work-life balance;

Develop key performance indicators to measure work-life balance and its influence on business, such as the voluntary attrition rates of high-talent employees;

Systematically assess the current portfolio of work-life balance offerings – flexible working hours, opportunities to work from home, job sharing etc – and make necessary adjustments;

Broadly and frequently communicate relevant offerings to employees;

Develop pilot programmes to meet work-life needs for communities of employees – such as women or employees of particular ethnicities or nationalities – and assess related legal issues;

Train line managers in work-life balance initiatives and ensure that they incorporate the initiatives in their businesses;

Explore activities that advance corporate social responsibility as a way to develop a meaningful workplace.

5 Managing change and cultural transformation

Executives view change management and cultural transformation as crucial to future success and they expect their HR colleagues to provide valuable support in these areas. The appointment of an executive in charge of change management was the greatest distinguishing factor between high and low performers and, according to the survey, the measure expected to grow most significantly.

Key steps in managing change include:

Creating a change agenda – building a compelling vision, translated into specific manageable change initiatives;

Mobilising the organisation – engaging senior managers and gaining commitment;

Hardwiring change into the organisation – by aligning HR processes, performance management, budgets and targets;

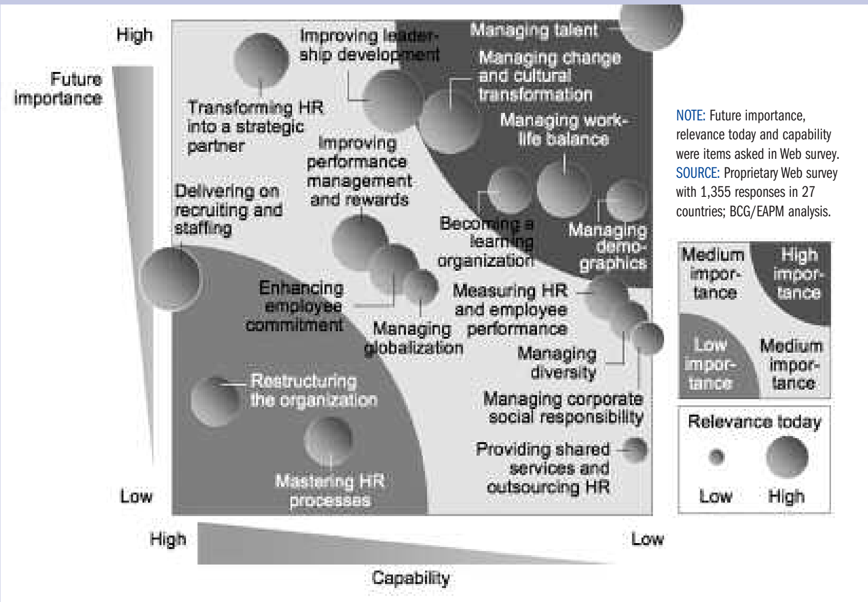
Monitoring change initiatives; and

Communicating continuously and intensively.

As for managing cultural transformation, respondents advocated the following steps:

Thoroughly assess the existing culture – including its strengths and weaknesses – by interviewing key people and customers;

To compete in the future, European companies should enhance 5 critical capabilities



NOTE: Future importance, relevance today and capability were items asked in Web survey.
SOURCE: Proprietary Web survey with 1,355 responses in 27 countries; BCG/EAPM analysis.

National priorities

There is obviously no such thing as an 'average' country; each has its own history, legal and regulatory system and varying mix of industries and companies, and these factors combine to create a singular HR environment and unique set of HR needs in each nation.

While managing talent was one of the top three HR issues in 17 of the 19 countries that had more than 20 responses, other issues arose as the most critical in individual countries.

Czech Republic The best employees here are in high demand and also have a relatively high standard of living, which makes not only managing talent but also work-life balance especially important.

Denmark Facing high growth and the desire to encourage a more international workforce, Danish executives are primarily concerned with managing talent and managing change and cultural transformation.

France Eager to modernise their companies and improve productivity, French executives were concerned with managing talent and demographics, but also with enhancing employee commitment, measuring HR and employee performance, improving performance management and rewards.

Germany Within Europe, the German-speaking nations in particular have ageing workforces, and German executives therefore stressed the importance of managing demographics, while the shortage of engineers in Germany helps to drive the importance of managing talent.

Ireland In the wake of high growth in recent years, executives have a full HR agenda: managing talent, managing work-life balance and becoming a learning organisation are the three most important 'top five' issues, but improving leadership development and measuring HR and employee performance also rank highly.

Italy Respondents recognise that their nation is undergoing rapid modernisation, rising immigration and increasing global competition. Consequently, managing change and cultural transformation came out as the most important topic. Additionally, Italy is focusing on managing globalisation and diversity.

Russia Managing talent was the only one of the top five to feature on Russia's HR agenda, with corporate social responsibility emerging as a top priority. This is largely because local governments are pressuring firms to compensate for shortfalls in local budgets and because Russian companies are eager to show the world that they can be good corporate citizens.

Spain Executives are worried primarily about managing talent and becoming a learning organization, a reflection of this country's emergence as an economic force and its need for new skills in formerly state-owned companies. Facing a large influx of immigrants, executives are also concerned about managing diversity.

United Kingdom Executives told us that their top business focus was managing the HR implications of growth in an increasingly global context; managing talent and improving leadership development therefore featured high on the UK's national agenda.

Define the target culture and with the senior management team document the implications of shifting to that culture, including how the current culture and employee behaviour will need to change;
Identify the actions most relevant to promoting change and determine how those actions will affect organisational models and individual behaviour;
Implement and monitor plans for bringing about change and assess their effectiveness.

In order to gain the trust of top executives the HR function must excel not only at these five key HR issues but must also master its day-to-day, nuts-and-bolts operations. In this respect, there is a disconnect between how HR executives assess themselves and how other management colleagues rate their capabilities.

The three topics which most influenced executives' perceptions of HR performance are:

Mastering HR processes This is the arena in which HR most overestimates its own capability, but which non-HR managers see as most important. All basic HR processes, such as payroll and information systems, should therefore be systematically assessed and improved, with close attention paid to the possibility of introducing shared service centres or outsourcing service and administrative functions so as to improve efficiency and effectiveness and thereby increase the time and attention able to be spent on strategic issues.

> 'there is a disconnect between how HR executives assess themselves and how other management colleagues rate their capabilities'

Recruitment and staffing With skilled labour harder to obtain, company loyalty declining and traditional methods, such as newspaper advertisements, becoming less effective, HR has to rethink and update its current processes – in cooperation with line managers. In particular, internal staffing was singled out as an area of weakness.

Transforming HR into a strategic partner Although it ranked second in future importance after 'managing talent', this critical capability did not make it into the top five issues for attention because HR executives rated their departments very highly on it. Non-HR executives were less impressed, and clearly do expect their HR managers to show business acumen, pragmatism and efficiency, while supporting cultural change and increasing skill levels in the organisation.

It is therefore vital for the HR department to deploy both HR specialists and managers with a strong business background, as well as measuring its performance against qualitative, quantitative and financial metrics.

Jean-Michel Caye is Partner and Managing Director, BCG Paris and Global Topic Leader in Human Resources for the group, Rainer Strack is Partner and Managing Director, BCG Düsseldorf and head of the firm's European organisation practice, and Michael Leicht, the project leader, is also with BCG Düsseldorf

For copies of the report, The Future of HR in Europe – Key Challenges Through 2015, *email marketing.de@bcg.com; an executive summary can be downloaded from* www.bcg.com
A similar survey covering the rest of the world and commissioned by the World Federation of Personnel Management Associations is currently in preparation and is expected to be available for the 2008 World HR Congress to be held in London next April (www.cipd.co.uk/congress)

Dragons at the door

AN HR RESPONSE TO CHINA'S EMERGING MULTINATIONALS

Chinese companies' growing use of 'cost innovation', which enables them to offer customers around the world dramatically more for less, is causing the rules of global competition to be rewritten. Here Peter Williamson suggests some ways in which HR professionals might respond

China's companies have begun to 'go global'. Sometimes their moves hit the headlines, such as Lenovo's $1.75 billion takeover of IBM's Thinkpad personal computer business. But more often than not the global spread of Chinese companies has remained under the radar screens of managers outside China.

Did you know, for example, that the world's largest producer of pianos is a Chinese company, Pearl River Piano, that now churns out over 100,000 pianos every year and controls 40 per cent of the US market for upright pianos? Or that just one Chinese company, Galanz, now makes more than half of all the microwave ovens produced in the world? Or that China International Marine Containers is six times larger than its nearest competitor with more than 55 per cent global market share?

Not only are these companies behemoths, even by world standards, but as they venture into the global market they are changing the rules of the competitive game. As they advance they are creating new challenges and opportunities for global HR professionals: by helping to engineer a change in mindset about the impact of China on the global competitive landscape; in planning to develop sufficient people with the qualities necessary to lead a global business (not just the China business); and in fundamentally rethinking and convincing senior colleagues to rethink the types of interactions between corporate headquarters and Chinese subsidiaries.

Forget the idea that the rise of Chinese companies simply means cheap, low-quality imitations flooding world markets. Chinese companies are starting to disrupt global competition by breaking the established rules of the game. Their tool of choice is 'cost innovation' – the strategy of using Chinese cost advantage in radically new ways to offer customers around the world dramatically more for less.

The first time you hear it, cost innovation might sound like an oxymoron – most of us have got used to associating innovation with the business of providing more functionality and greater sophistication. But the fact that it breaks conventional wisdom is precisely why it has the potential to rewrite the existing rules of global competition. Rather than proving to be just another management fad, it will have a significant and sustained impact on world markets. Cost innovation has three faces.

Novel strategy

First, Chinese companies are starting to offer customers high technology at low cost. Computer maker Dawning, for example, has put supercomputer technology into the low-cost servers that are the everyday workhorses of the world's IT networks. This novel strategy is demolishing the conventional wisdom that high technology is restricted to high-end products and segments. And it is interrupting the game whereby established global competitors maximise their profits along the product life cycle by only slowly migrating new technology from high-priced segments toward the mass market.

Secondly, the emerging Chinese competitors are presenting customers with an unmatched choice of products in what used be considered standardised, mass-market segments. Goodbaby, for example, offers a product line of over 1,600 types of pushchairs, car seats, cots and playpens – four times the range of its nearest competitor – all at mass-market prices, thus challenging the idea that if customers want variety and customisation, they have to pay a price premium.

Third, Chinese companies are using their low costs to offer speciality products at dramatically lower prices, turning them into volume businesses. For example, consumer appliance maker Haier has transformed the market for wine-storage refrigerators from the preserve of a few wine connoisseurs into a mainstream category sold through America's Sam's Club at less than half the then-prevailing price. The end result: Haier has a 60 per cent market share, while yesterday's niche players have been left floundering. This new Chinese competition is challenging the notion that speciality products must forever remain low-volume and high-priced.

Just like other forms of disruptive competition, the cost innovation challenge creates a particular problem for managers: tried and tested strategies that have proven successful in dealing with traditional rivals are unlikely to work in addressing this new challenge from China. For example, a strategy of simply moving upmarket – away from standard products – is unlikely to provide the

'A step-change will be required in the capabilities of those selected to manage...product lines in China'

answer, as cost innovation is allowing the Chinese to differentiate their products while still keeping costs low.

So, if you are an established company facing this unorthodox wave of new competition, what are your options? In positioning your company to succeed in this new environment, whether you are an established multinational, a national champion or entrepreneurial start-up, there are basically three alternative strategies:

- Learning the tricks of cost innovation to expand your existing competitive arsenal;
- Giving a global mandate for certain products to your China subsidiary; or
- Allying with the 'dragons' (leading Chinese companies) to strengthen your global competitiveness.

Learning the tricks of cost innovation is one reason more and more companies are establishing R&D and design centres in China – for knowledge, not only to lower costs. Foreign companies now operate 700 R&D centres in China. Microsoft alone has five technology development centres, staffed 95 per cent by locals, many with master's or PhD qualifications.

UN survey

And a recent survey of multinational corporations conducted by the United Nations found that 61.8 per cent planned future investment in R&D capabilities in China, far higher than the 41.2 per cent of multinationals planning future R&D investment in the USA and the 14.7 per cent planning expansion of R&D in India.

Some companies have gone even further: rather than seeing China simply as a potential source or a growth market, they have transferred global responsibility for particular products lines to a subsidiary in China. As a result, their managers in China now have a global mandate to run these business lines and leverage cost innovation across the world.

In August 2005, for example, Intel announced that that global responsibility for its Channel Platforms Group (CPG) would be shifted to China. This was the first time Intel had ever transferred the global leadership of one of its five major strategic business units (SBUs) outside the United States. In addition to China's huge market potential, an Intel spokesperson noted that it was giving China global responsibility to access "China's advantages in knowledge creation and local talent", adding that "China will become a very important source of new product concepts and business models." Intel went on to say that running the SBU from China would be particularly important in allowing it to unlock potential demand in emerging markets and in the cost-competitive segments of the developed world that required advanced technology at demanding price points. Put another way, Intel has given China a global mandate to help it bring cost innovation to world markets – a strategy the headquarters was less well equipped to pull off.

Philips is another company that has taken the step of giving its Chinese subsidiary the global mandate for a business unit. Its global business of supplying TV sets – from R&D through design, manufacture and marketing – is now managed from China.

A third strategy is to look for a way to combine the strengths of an established multinational – its technology, systems, brands and the experience and reach of its existing subsidiaries – with the cost innovation advantages being built by the emerging Chinese dragons. Starting in 2003 Huawei and 3Com put together a new joint venture company, 51 per cent owned by Huawei and 49 per cent by 3Com. It wasn't aimed primarily at China sales. Instead, the partnership was designed to serve the global market for communications equipment. By joining forces, the partners hoped to improve their ability to win share from the dominant global player in this sector, Cisco. The combination proved powerful: Don Halstead, 3Com's executive vice president and chief financial officer, noted that for the quarter ended December 1, 2006 revenue for the Huawei-3Com joint venture was $100 million, with a profit of $30 million, compared with a loss of $20 million on 3Com's other businesses.

The HR connection

Whichever strategy your company chooses, there are important implications for the emerging global HR agenda.

First, the need for HR help to engineer a change in mindset about the impact of China on the global competitive landscape is now becoming pressing. We need to find effective ways of helping our managers see that as Chinese companies go global they pose a disruptive challenge to the existing rules of the game. Even more importantly, whether through job rotations, training or career development, we need to help our managers recognise and accept that today China is a source of deep-seated complex learning about cost innovation. And that mastering the Chinese game of how to deliver high technology, variety and specialist offerings at low cost can be critical to future global competitiveness.

Secondly, if Chinese subsidiaries need to play a much more significant global role in tomorrow's companies – including global mandates for certain product lines – then a step-change will be required in the capabilities of those selected to manage these product lines in China. The Chinese subsidiary will need to be staffed by people with the qualities necessary to lead a global business, rather than those with skills that will meet just a manufacturing, sourcing or local market sales brief. This will increase the pressures on HR professionals to be successful in attracting and retaining high quality staff. Even more importantly, it will mean they have to find more effective ways of building up their Chinese managers' international experience rapidly and exposing them to customers across different markets around the world.

'We must restructure reporting lines to enable (Chinese subsidiaries) to make decisions more quickly'

Thirdly, HR leaders will need to effect a restructuring in the way Chinese subsidiaries and partners interact with the headquarters organisation. If the Chinese organisation is to propagate cost innovation, it must be given significant autonomy to experiment and develop new ways of doing things and new product offerings. If it simply follows the corporate blueprint religiously, its potential to come up with cost innovations will be fatally undermined. And if the Chinese subsidiary is to help lead the way in responding to new, disruptive competition, we must restructure reporting lines to enable it to both make decisions much more quickly and to convey its messages to the top of the company, rather than working through a slow and tortuous chain of command designed to support a one-way flow of knowledge into China.

The HR agenda is no longer just about success in China. Instead, it's about which companies will continue to prosper globally when the dragons come knocking.

Peter Williamson is Professor of International Management and Asian Business at INSEAD in Singapore and co-author of Dragons at your door: how Chinese cost innovation is disrupting global competition, *Harvard Business School Press, June 2007*

THE WORLDLINK HR CALENDAR

August 21-24, 2007
São Paulo, Brazil
CONARH – ABRH National Conference
Tel: +55 11 3124 8850
Email: abrh@abrhnacional.org.br
Website: www.conarh.com.br

August 30-31, 2007
Panama City, Panama
ANREH National HR Congress
Tel: +507 221 8555
Email: info@arhpanama.org
Website: www.arhpanama.org

August 30-31, 2007
Singapore
SHRI Leading HR Summit
Tel: +65 6438 0012
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Website: www.shri.org.sg

September 5-7, 2007
Wellington, New Zealand
HRINZ National Conference
Tel: +64 4 499 2966
Email: hrinz@hrinz.org.nz
Website: www.hrinz.org.nz

September 6-7, 2007
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September 18-20, 2007
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Tel: +44 208 612 6200
Email: conf@cipd.co.uk
Website: www.cipd.co.uk

September 20-22, 2007
Barranquilla, Colombia
ACRIP XVI National HR Congress
Tel: +57 53 607957/442729
Email: acrip@col.net.co
Website: www.acrip.org

September 26-27, 2007
Helsinki, Finland
HENRY HR Conference and Exhibition
Tel: +358 9 2707 4300
Email: henry@henryorg.fi
Website: www.henryorg.fi

October 3-4, 2007
Copenhagen, Denmark
PID Annual Conference
Tel: +45 86 21 61 11
Email: info@pid.dk
Website: www.pid.dk

October 3-4, 2007
Lima, Peru
APERHU XVI National Congress
Tel: +511 472 6324
Email: aperhu@aperhu.com.pe
Website: www.aperhu.com

October 22, 2007
Melbourne, Australia
WFPMA Board Meeting
Contact: Secretariat
Tel: +65 6438 0012
Email: david@shri.org.sg
Website: www.wfpma.com

April 14-17, 2008
London, England
12th WFPMA World HR Congress
Tel: +44 20 8612 6248
Website: www.cipd.co.uk/congress

World Federation of Personnel Management Associations (WFPMA)

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