



WorldLink

Linking people management professionals around the globe

HR's New Horizon—the 14th WFPMA World HR Congress

By Adrienne Fox

Members of the Wurundjeri tribe opened the 14th Annual World Federation of People Management Associations (WFPMA) World HR Congress on Sept. 25 with a traditional Australian indigenous welcoming ceremony. Wurundjeri elder Aunty Diane Kerr offered a prayer that honored her ancestors, the indigenous people of Melbourne, and told the 2,500 global HR professionals from 48 countries, “You are members of a family—the HR family—and you need to respect your family.”

Since 1986, the World HR Congress has been held biennially, with the host rotating among the WFPMA’s five regional HR association members. This year, the Australian Human Resources Institute hosted the congress in Melbourne Sept. 25–27 around the theme of new world thinking in diversity, innovation, motivation and creating economic value.

Diversity

In the opening keynote address, the Honorable Michael Kirby, retired judge of the High Court of Australia, called on HR professionals to be a voice for those who may be forgotten in the workplace. Kirby began his advocacy during college when he fought for greater access to education for indigenous Australians and to end the government’s “White Australia” policy, which forbade nonwhite immigration until 1966.

“There is a tendency in humanity for everyone to be the same and to think the same,” Kirby said. “It is a tendency we must beware.”

While an advocate for the rights of others, Kirby knew the personal pain of discrimination as a gay man. It wasn’t until he publicly acknowledged his homosexuality in 1999 as a justice of the High Court of Australia that he realized he should have been as vocal for

gay rights as he was for others’ rights. “The law of the land I presided over as judge said I was a criminal and would take away my rights as a human,” Kirby said, referring to the criminalization of homosexuality in Australia until the mid-1980s.

Though laws have since passed banning discrimination against gay, lesbian, bisexual and transgender (GLBT) individuals, “it is still socially acceptable to treat GLBT people differently,” he said. “They are forgotten. I beckon you to remember them. The game of shame is over. No longer is GLBT unspoken.”

Innovation

At first glance, fairness wouldn’t seem like the motivating factor behind inventing the first personal computer. But that was the main purpose driving Steve Wozniak to design the Apple I and Apple II computers for Apple Computer Inc., which he co-founded with Steve Jobs in 1976. Computers at the time cost millions of dollars and were



Wurundjeri tribal member



Michael Kirby

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Meet Pieter Haen,
WFPMA's New
President



Visionary,
Diversity
Crusader
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Petitpas Award



Operating in a
Two-Speed World



Insights and
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accessible only to elite executives like the ones Wozniak worked for at Hewlett-Packard (HP). He told the crowd that he wanted to design a simple computer with few parts to “give the average person access to computers so that they could be as important as the executives.”

Indeed, Wozniak’s invention blew open the door to innovation among the masses. Companies can tap that innovation if they loosen restrictions on work, Wozniak said. “You should allow employees to work on side products outside the traditional corporate approval hierarchy and allow people to have side businesses with an option to invest in them.”

HP allowed Wozniak to start Apple on the side, but founder Bill Hewlett turned down his idea for the Apple I five times. In hindsight, Wozniak believes the computer project would have languished in the rigid HP culture at the time.

“None of the things that contributed to my success can be listed on a resume,” Wozniak noted. “To create a culture of innovation, you need people who think the impossible is possible and want to build things to better their lives or the lives of their friends. Thinkers are more important than funding.”



Motivation

Dan Pink, *New York Times* best-selling author of *Drive* (Riverhead Trade, 2011) and *A Whole New Mind* (Riverhead Trade, 2011), agreed that employers put too many constraints on work. He cited research by Harvard Business School management professor Teresa Amabile in the 1990s of a group of professional artists who were asked to produce both commissioned (paid) and noncommissioned (unpaid) work for critique. The commissioned works were rated as significantly less creative than the noncommissioned works, yet they were not rated as different in technical quality, Amabile found. Moreover, the artists reported feeling significantly more constrained when doing commissioned work than when doing noncommissioned work.

“Every work across the globe is commissioned work,” Pink observed. “A few constraints on work are necessary, but too much interference stifles creativity and innovation.”

As this study illustrated, money is not the main factor motivating creative people to perform effectively. “Once you pay people fairly and take the issue of money off the table,” Pink said, “then you can motivate people with three factors—autonomy, mastery and purpose.”

Autonomy. “Management is a technology from the 1850s that no longer suits the 21st century workplace,” Pink said. “Self-direction is the pathway to engagement.”

Pink encouraged the audience to carve out time for noncommissioned work. He cited the example of Google, which implemented a 20 percent rule allowing employees to work on projects of their own desire 20 percent of the time. Software development company Atlassian has two outlets—ShipIt Day and 20-Percent Time. ShipIt Day is time set aside for developers to work on whatever they want and deliver something fresh and different in 24 hours. The 20-Percent Time program allows engineers to use 20 percent of their time to work on their own ideas and see their work reflected back into the core of an existing product. And, new hires at Facebook spend two weeks interviewing teams to help them decide which team they want to work on.

Mastery. Human beings like to get better at doing things and appreciate frequent feedback on their progress. Thanks to technology, people today are used to getting immediate feedback on their skills,

whether it’s reaching a high score on a video game or successfully transmitting a text message across the globe. However, “HR professionals insist on reducing feedback to an annual, awkward performance review meeting,” Pink noted. He suggested encouraging employees to perform monthly self-reviews and to tell managers to establish office hours when they can be available to employees wanting feedback or direction.

Purpose. “We tell people ‘how’ to do their jobs but never ‘why’ to do their jobs,” Pink said. “People are yearning for a sense of why their jobs are important.” Pink told attendees to have two fewer “how” conversations and two more “why” conversations each week.

Pink concluded his talk by encouraging the audience to start small. “Make a small change in your area, and if it works, cascade it out to more employees.”

Rachel Botsman believes society is moving into the third step of the “trust evolution”—a step she calls the collaborative age. The first step was the information technology age, in which data were exchanged over the computer. Next came the social age, where people shared personal information and made connections online. The collaborative age takes the online experience into the offline arena; people connect online but then collaborate offline.

In her concurrent session, Botsman cited the explosion of growth in car-sharing websites, crowdsource project-funding sites where people bid to fund an entrepreneurial project, and errand-running sites where users pay someone to run an errand for them in real time.

“The collaborative age recognizes that people get rewards from being a part of something that creates connection or belonging,” Botsman said. “People also want to connect to companies and contribute to improving their products or services. Leaders who recognize the innovation that can come from their users will succeed.”

Creating Value

The next level of HR is to think of strategy shifting from a mirror to a window, said Dave Ulrich, professor at the Ross School of Business, University of Michigan, and a partner at the RBL Group.

Ulrich, who is the author of 25 management books, including *HR from the Outside-In* (McGraw-Hill, 2012), urged HR professionals to



involve customers in their activities. Only then will HR be relevant to the business, he said.

For example, many firms talk about being an employer of choice. “Let me move that to an outside perspective,” he said. “If you are not hiring employees consistent with customer expectations, you’re hiring the wrong people. And if you’re not developing standards for effective performance that match customer expectations, then you’re measuring the wrong things.”

Ulrich told HR attendees to take their vision statements to customers and ask if the statement is authentic. Then ask, “What behaviors would show you, the customer, that we are living the vision, and will you buy more from us if we do?”

Ulrich also encouraged HR professionals to give customers a say in employee rewards. The globe-trotting speaker is a multimillion miler on Delta Airlines. “Delta gave me and other elite customers 100 coupons worth \$100 each to give out to [Delta] employees who perform excellent customer service,” Ulrich said. This approach directly ties customers’ expectations to employees’ behavior, he added, joking that he makes sure the coupons are visible when he boards an airplane.

Ulrich said HR professionals can learn much by visiting with and calling on valued customers. Doing so will take HR to the next level beyond insular HR strategy, he remarked. **WL**

Meet Pieter Haen, WFPMA's New President

By Adrienne Fox

At the conclusion of the 14th Annual World Federation of People Management Associations (WFPMA) World HR Congress in Melbourne, Australia, Horacio Quirós of Argentina handed over the gavel to the federation's new president. Pieter Haen of the Netherlands assumed the two-year presidential term after a successful run as secretary general/treasurer. He inherits a world body that has made many strides under Quirós' leadership in terms of expansion, outreach, and knowledge gathering and dissemination. Haen sat down with *WorldLink* to discuss his plans to build on the progress of those who have held the gavel before him.

WorldLink: What is your overall vision for the next two years as president?

Haen: Business leaders throughout the world continue to struggle with the complexities of a two-speed world. They face economic crises and weak growth in the developed economies, while also addressing rapid growth in the developing world. Volatility and uncertainty are the new constant. These realities create difficult people management challenges that range from keeping up with supply and demand fluctuations to growing talent shortages and rising leadership deficits, which are fueled in part by profound demographic changes.

There is an immense opportunity now to rethink how we do things in HR. Many organizations have focused on cutting costs over the past few years, but that is not a sustainable long-term strategy. HR has experienced cutbacks as well. The challenge now is, how do we innovate and grow? How do we ensure that our organization has the capability and the skills to innovate and grow?

Are we creating the right environment to enable people to give their best?

Research has shown that the impact of these last elements is roughly one-third of the success of an outperformer. Companies can only do this with HR's input, so it is a time of great opportunity and, in my opinion, the most interesting time ever to be in HR.

WorldLink: How will the WFPMA help HR member associations globally enhance the profession?

Haen: This year, the WFPMA Board conducted a survey of its member organizations. We learned that most HR associations are

funded by dues and conference fees, and, like many organizations, they are struggling financially. So, the burden is on us at the WFPMA to help HR associations with current research and information that they can provide to their members.

The survey also showed that the majority of the members agree with the current strategy of the board—and that research funded by the WFPMA, such as the annual reports with the Boston Consulting Group (BCG), are the most valued, followed by the World HR



WFPMA Board of Directors (l-r) Stephanie Bird, Fernando Ariceta, Filippo Abramo, Jorge Jauregui, Horacio Quiros, Pieter Haen, Carolyn Gould, Peter Wilson, Ernesto Espinosa, Francis Mok

Congress and *WorldLink*. We will continue providing and enhancing that value to member organizations and, thus, their membership. (To read the results of the latest WFPMA/BCG report, see page 5).

WorldLink: How will you build upon the successes of your predecessors?

Haen: The successes are, as always, the outcome of the dedication of all members of the board, who are all outstanding HR leaders and volunteers in their own regions. We have made important strides under the eminent playing captain Horacio Quirós from Argentina, who has led by example and has inspired us all. Our intentions are not to change the successful lines already designed in the past but to continue this way, knowing that we have to look at the horizon and realizing that there always will be new challenges beyond. In our Melbourne board meeting, we formed project groups to focus on the items of best practices, global standards, research and HR governance. By doing so, we have the opportunity to invite HR experts and leaders to help us go forward.



Outgoing WFPMA President Quirós (l) shares a laugh with incoming WFPMA President Haen.

WorldLink: What opportunities do you see for the WFPMA?

Haen: The WFPMA is uniquely positioned to provide a neutral,

Pieter Haen

Experience: Founder and president of the Duurstede Group, a global Dutch consultancy company specializing in strategic workforce planning and executive search. Haen established the firm after a long career in general management and HR at banking, consumer goods, industrial and retail companies in the Netherlands and abroad.

- 2010-2012 Secretary-General/Treasurer of the World Federation of People Management Associations (WFPMA).
- 2009-2011 President of the European Association for People Management (EAPM).
- 2004-2009 Vice President of the Dutch Association for People Management and Organizational Development.
- Active member of the Rotary Club.

Education: Master's degree in labor law and international business law, Tilburg University, the Netherlands.

Personal: Married 39 years to Margriet with three children—Carlijn, an HR professional; Willemijn, an organizational psychologist; and Pieter-Stijn, an orthopedic surgeon—and four grandchildren.

Interests: Reading, golf, good food and wine, collecting old books and visiting historic places around the world.

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independent platform for important dialogues on the role of HR in society. We are in a unique time and place. The challenges to business and society on a global scale have never been greater.

What is needed now is a clear path to renewal and shared growth. We need to be prepared to move forward in ways that meet corporate, ethical and social objectives. At a time when our associations need global perspectives on the most daunting issues, as well as a place to share and learn from each other, membership in a global association is essential. WFPMA now represents 95 countries and more than 600,000 HR professionals worldwide. That certainly must be able to make an impact on the global HR agenda.

WorldLink: How does your background prepare you for this role?

Haen: I am a global citizen, having worked and lived in different countries in Europe. I have been in the HR leadership role as well as in the management role in the financial, fast-moving consumer goods and services industries. I learned to understand the business, the important role of cultures, and the impact of leadership and passion. I

have served in volunteer leadership roles in the Dutch HR association, the European Association for People Management and as secretary for the WFPMA. I understand and appreciate the commitment it takes to work unpaid for the sole purpose of advancing this profession we all feel so passionate about.

WorldLink: In two years' time, what is the main goal you want to have achieved as president?

Haen: There are lots of things to be done, but we have to be realistic. We have limited financial means but a huge portion of good will. We will develop a global HR standard. We will have to make decisions on how to answer the new HR associations in different parts of the world who are knocking on our door to become connected. We will continue our research and actively look for partners to share global research on topical themes. We will actively help and support the newly created African Human Resources Confederation. And we actively will seek the support and advice of the world's most recognized HR leaders to help us reach our goals. We are working with project groups to improve the exchange of knowledge and best practices, increase our research efforts, and add value to the member organizations. We will do that as a team. **WL**

Visionary, Diversity Crusader Awarded 2012 Petitpas Award

By Adrienne Fox

Pedro Borda Hartmann, director general of the Mexican Association for Human Resources Management (AMEDIRH), received the 2012 Georges Petitpas Award, presented by the World Federation of People Management Associations (WFPMA) at the 14th Annual World HR Congress in Melbourne.

The Petitpas Memorial Award, one of the most prestigious HR awards in the world, is given every two years in honor of Georges Petitpas, who contributed significantly to the development and activities of the federation and who died shortly after his nomination to the presidency in 1983.

The award honors those who embody the spirit of and dedication to the HR profession and who have made significant contributions to global HR management and to the goals of the WFPMA.

Upon receiving the award from selection committee chairman Ernesto Espinosa, Borda told the World Congress attendees, "I am profoundly honored to receive the Georges Petitpas Award after my lifetime of 55 years devoted to our profession of human resources. To receive this memorial award by my peers places me in a major accomplishment within our profession."

Borda said the award did not mean the end of his work, but instead will propel him to work harder for the profession. "Especially in front of the challenges imposed on us by a changing environment—and thus changing workplaces—we need leaders with a humanistic vision and great innovators to recover a values-based management," he said. "The world demands it, and it is greatly up to our profession to deliver it."

Borda personifies the leader with a humanistic vision, noted Mexico's Jorge Jauregui, president of the North American Human Resource Management Associations and secretary general/treasurer of the WFPMA, who nominated Borda for the award. "He was the most instrumental person in establishing AMEDIRH in 1988, merging two HR associations into one that represents most of Mexico," Jauregui said. "He has a well-earned reputation for advancing HR and, in particular, for opening the door to employment for senior citizens by



Pedro Borda (holding award) receives the Petitpas Award from (l-r) WFPMA President Horacio Quirós, Secretary General Pieter Haen and award nominating committee chair Ernesto Espinosa at the 14th Annual World HR Congress in Melbourne.

partnering with organizations and building the skills of the older generation."

In addition to his decades of leadership in AMEDIRH, Borda served under then-President Vicente Fox as director of the National Institute of Older Persons (INAPAM) from 2000–2006. "President Fox called me and asked me to serve in his new government in the office of my choosing," Borda recalled. "I chose to work in an agency where I could contribute to a better life for 8 million senior citizens. I can never forget Fox for giving me the most amazing position and opportunity in my life."

When Borda went before the Mexican Senate for confirmation, he said legislators asked his age—he was 60 years old at the time—and questioned whether he had the stamina to succeed in the role. "Senior citizens are being forgotten and are invisible, not just in Mexico but in all parts of the world," Borda reflected. "Senior citizens are valuable employees. They have knowledge, experience and are loyal. If you give an older person a job, they will work hard for you. If we don't convince HR to open jobs for seniors, we all will be in a big economic mess in the future."

The senators' question of Borda's vigor has long been answered by his actions: At age 72, he is still working hard for HR and senior citizens every day.

"You can all rest assured that up to my last days, I will continue with the same emphasis working for the greater good of human resources," Borda told attendees. "As a human being, I have the ongoing passion to better society, the elderly, the young and minorities. We all deserve and have the right to work to access happiness." **WL**

Operating in a Two-Speed World

By Adrienne Fox

Throughout the world, companies are rapidly approaching a do-or-die point in three essential people management areas: managing talent, improving leadership development and strategic workforce planning. These critical areas are the most important for future success and also are most in need of attention, according to a new report released this month by the Boston Consulting Group (BCG) and the World Federation of People Management Associations (WFPMA).

This global report, *Creating People Advantage 2012: Mastering HR and People Challenges in a Two-Speed World*, is the fourth in a series since 2007 examining 22 key HR topics. Nearly 4,300 HR and non-HR executives from more than 100 countries throughout every major region responded to the 2012 survey, ranking the topics in terms of current importance, future importance and their company's level of capability. As

part of the study, 63 executives participated in in-depth interviews.

Talent Issues Not Addressed

By not addressing the three top-ranked priorities, which were ranked highly on the previous three surveys, HR professionals “are not making the headway they need to ensure they have adequate talent—managerial, technical and functional—in

their people pipeline,” said Rainer Strack, a senior partner at BCG and co-author of the report. “They are often ‘hit-or-miss’ in their people management practices—or else they’ve identified their priorities but aren’t translating plans into action. As a result, they undermine their results and lose out on important synergies.”

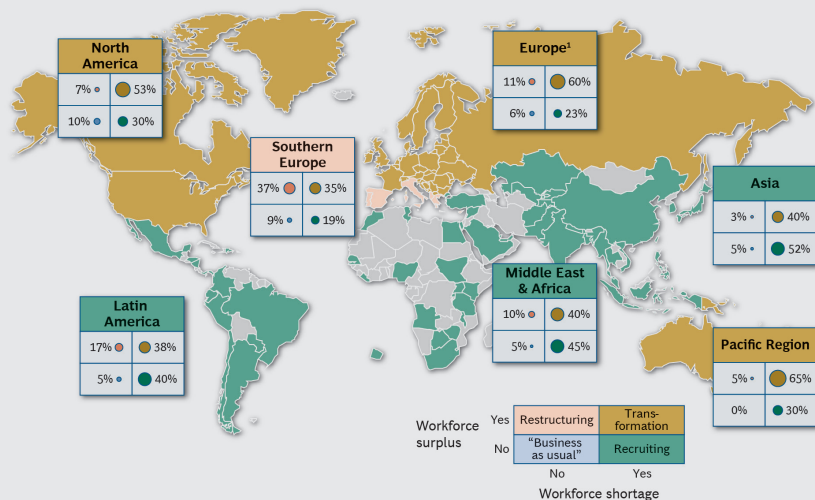
Respondents who gave their companies low marks in people sourcing showed the greatest weakness in two specific areas: people planning and employer branding. The other four essential steps in integrated people sourcing are recruiting strategy, candidate recruiting, onboarding and retention.

Strategic workforce planning is used by only a minority of companies, the report found. Fewer than half (48 percent) define job families, and only 37 percent are able to pinpoint capacity gaps by job family. In addition, only 32 percent of respondents have measures in place to overcome capacity gaps. Thus, as the challenges of people management in a complex global environment rise, most companies have an obscured view of their capacity and gaps—and even fewer resources available with which to address them. In competing against the minority of companies that have strong people planning capabilities, they’re at a much greater disadvantage.

Among the more alarming shortcomings is the disconnect in people planning and recruiting. Fewer than half (48 percent) of the companies surveyed align their recruiting targets with people planning. Amid a growing scarcity of top talent, companies can ill afford such wasted effort, the report stated. “For talented individuals today, it’s a buyers’ market,” noted Horacio Quirós, past president of the WFPMA and co-author of the report. “Companies that do their homework to identify what talented people today seek in an employer and in their work life—and that are strategic about reaching these target employees—will win big.”

In every one of the crucial steps that make up talent and leadership development—from developing a talent strategy to creating a talent magnet culture—companies consistently fall short. More than 50 percent of the actions generally deemed necessary were lacking across all companies. “As the talent shortage becomes

Transformation Prevails in North America, Europe, and the Pacific Region

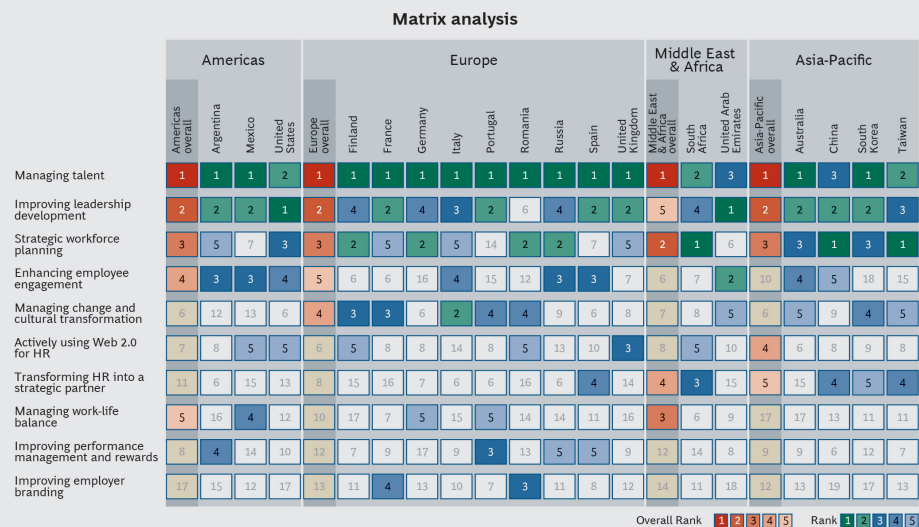


Source: 2012 BCG/WFPMA proprietary web survey and analysis.

Note: The chart reflects responses to the question, “Do you face a workforce shortage or surplus in different parts of your company?” The data include respondents from companies with more than 2,000 employees.

¹Excludes Southern Europe.

MANAGING TALENT AND IMPROVING LEADERSHIP DEVELOPMENT RANKED HIGH IN MANY COUNTRIES



Source: 2012 BCG/WFPMA proprietary web survey and analysis.

Note: Data from countries with more than 75 respondents—and from Argentina and United Arab Emirates. Ranking based on combined values of future importance and current capabilities. Sorting based on number of top 5 rankings per topic across regions and countries.

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more acute, an adequate internal pipeline for talent and leadership becomes even more vital,” noted Jean-Michel Caye, senior partner at BCG and another co-author. “The most capable companies see the connection between talent development and leadership development, and make talent development part of leaders’ responsibilities.”

Workforce Transformations

Companies in rapidly developing economies (specifically the BRICS—Brazil, Russia, India, China and South Africa) reported different priorities than the survey sample as a whole. Improving performance management and rewards, onboarding of new hires, and retention and managing talent are their top priorities.

In BRICS countries, companies are experiencing the most critical shortages in management, leadership and technical skills, the study found. Observed Pieter Haen, president of the WFPMA and another co-author of the report, “They can’t rely on their country’s education system or the general workforce to produce the talent they need. But they won’t continue to grow and compete successfully if they can’t acquire or develop the talent.” The remedies that respondents ranked most important—but which their companies have not yet adopted—were implementing companywide development programs and offering clearly defined career paths to boost retention.

According to the report, the so-called “two-speed world” has created a new challenge for companies that operate globally: Among companies with more than 2,000 employees, the majority (52 percent)

are facing simultaneous surpluses and shortages in different regions. They struggle to build up their workforce in certain regions, business units and job groups, while laying off employees in others.

This phenomenon—workforce transformation—affects 60 percent of the companies in northern Europe and 53 percent of the companies in North America. In contrast, most companies based in Latin America, Asia, the Middle East and Africa are focusing on recruiting. In southern Europe, the greatest proportion of companies face restructuring (37 percent). But almost as many (35 percent) face transformation—reflecting the global nature of business and the ability of companies to rely on far-flung operations as sources of growth.

“Transformation reflects not only global economic and demand shifts but also dramatically different business realities: the shortage of managerial talent in emerging markets alongside an oversupply of employees in established markets,” Quirós said.

Added BCG’s Strack: “Meeting the complexities of supply and demand in a global economy is yet another reason companies must get serious about implementing strategic workforce planning. It’s the only effective way they can get a handle on the talent they have, the talent they will need, and how to bridge critical gaps without losing competitive ground.”

The report outlines a number of related strategies HR can deploy in transformation situations. Among them: applying flexibility measures to cope with temporary fluctuations in workload, making the company’s internal labor market accessible to employees worldwide, and effectively applying upsizing and downsizing.

The full study is available online at www.wfpma.com. **WL**

Insights and Lessons from Leadership in Asia

By Chris Rowley and Dave Ulrich

Global interest in leadership and leaders in Asia continues apace and unabated. In Japan, high-profile non-Japanese CEOs have stepped down recently at Olympus, Sony and Nippon Sheet Glass. In South Korea, the market dominance of the *chaebol*—family-owned conglomerates—and lack of accountability regulations for their executives have sparked outcries for reform from employees, consumers and small-business owners.

In Thailand and Indonesia, leaders’ close ties to politics is seen as “crony capitalism.” In China, a critical light is being shone on the widespread nepotism and lack of transparency in Chinese businesses after the recent ousting of Communist Party leader Bo Xilai due to “serious discipline violations.” The scandal is affecting his family’s large business interests, such as China Everbright International, Beijing Lihexing Group and Tungkong Security Printing.

The knowledge and actions of individual leaders have an impact on employees, customers, investors and societies. Widespread ineffective leadership within an organization institutionalizes a culture and endures over time.

Asia is a fertile ground for the study of individual leaders and organizational leadership. The region is clearly the driving engine for global growth, with both imports and exports of products and services. To date, most leadership approaches in multinational corporations in Asia have been imported from Western ideas and practices. But, we believe that Asian companies can begin to export leadership as well.

In studying Asia, it is important to recognize that Asia is not homogenous. While Asia has some common philosophical orientations, the unique context of each country offers a rich setting for further study of leadership. Asian countries differ along a number of dimensions. Each country has unique social, technological, economic, political, environmental and demographic characteristics that determine market and organization maturity. For example, there are many striking differences between doing business in China and Japan. In China, for example, the gender gap is substantially smaller than in Japan. A 2007

survey by Grant Thornton International found that approximately one-quarter of businesses in Japan reported that women held senior management positions. In contrast, over 80 percent of the businesses in mainland China reported that women held senior positions.

Effective Leadership in Asia

Being an effective leader requires a mix of three factors—country context, organization culture and personal competence. Successful leaders respond to the country context so that their behaviors are consistent with the values and beliefs of the prevailing culture. Leaders also need to respond to their company culture, which creates expectations and norms of how they should act to help their company deliver business goals. And, leaders have personal competencies about who they are, what they know and what they do.

Country context. Philosophical approaches underlie leadership behavior throughout Asia. As the chart on the next page shows, Confucian and Daoism ideologies offer a more legalistic view of society and leadership. These philosophical differences show up in Western vs. Eastern approaches to business.

Leaders from the West assigned to work in Asian organizations need to be aware of their biases and to adapt to Eastern philosophies. Asian leaders who fall prey to only doing things the “Eastern way” will not be able to respond to global pressures. Asian leaders who give in to the “Western way” will lose sight of their heritage and be inattentive to their cultural uniqueness.

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Table 1: Differences of Western and Eastern Business Approaches

	Western	Eastern
Time horizon	Short term; now	Long term; future
Strategy	Leading to allocation of resources today	Leading to positioning the firm for the future
Management philosophy	Management by objectives	Management by shared mindset
Decision-making	Fast to decide; longer to sell and implement	Slow to decide; quick to implement
Accountability	Personalized and focused on “I”	Shared and focused on “we”
Work	Linear and focused on the task at hand	Cyclical and focused on the context in which work is done
Career orientation	Generalist	Specialist
Rewards	Large pay gap between senior executives and lower employees; pay often based on performance	Smaller pay gap between senior executives and lower employees; pay often based on tenure and position
Leadership philosophy	Hands on, walking ahead of people. “Leadership is done from in front. Never ask others to do what you, if challenged, would not be willing to do yourself.” —Xenophon	Hands off, walking behind people. “In order to guide people, the leader must put himself behind them. Thus, when he is ahead, they feel no hurt.” —Lao Tzu
Philosophical schools	Christianity	Buddhism, Confucianism, Hinduism, Integral Yoga, Islam, Taoism, Zen, Han Fei

Company culture. An organization’s culture often starts with its strategic challenges. Organizations competing on price need to build a culture of efficiency and cost containment. Organizations competing on innovation need to build a culture of risk-taking and experimentation.

As the business world shrinks through technology and access, Asian companies have faced the challenges of becoming more multinational. Asian organizations are shifting from being low-cost-driven to discovering how to innovate. It is not enough to be a low-cost producer of global goods; Asian organizations are recognizing that they have to provide innovative products and services by competing through talent instead of cost. In Asia, the war for talent is intense, with concerns around attracting and retaining top talent. Asian organizations also face demographic challenges.

In light of these business challenges, Asian organizations have to evolve their corporate cultures:

- **Paternalism.** Asian context and organization cultures tend to be hierarchical, and leaders tend to be paternalistic, accepting a personal responsibility for the well-being of their employees. Asian leaders need to balance their need for hierarchical control through paternalism with employee autonomy that comes from independence.
- **Time horizon.** Asian mindsets likely focus more on long-term than short-term goals. Partly because of firm financing through debt (where leaders convince a few investors to support them) over equity (where leaders have to show profits to convince many unknown investors to invest), leaders in Asia take a longer-term view.
- **Benevolence.** In most Asian countries and companies, a culture of deference persists within the hierarchy, as does an emphasis on teamwork and conformity to shared behavioral expectations. Outspoken employees who challenge their superiors are rare, and such behavior traditionally is discouraged.
- **Collaboration.** Asian culture encourages collaboration, mutual support and banding together to achieve common goals, which are often crafted by superiors. Differences of opinion are seldom encouraged; if they are voiced, they are voiced privately and with grace. Public confrontations, including potentially constructive differences of opinion, are discouraged.
- **Relationships.** Asian leaders learn the importance of *guanxi*, or “good connections.” Relationships matter as much as or more

than technical expertise. Many of these relationships are forged through extended family ties, in education or early in careers. In particular, relationships with government officials and agencies can be especially crucial.

- **Organization types.** Three main organization archetypes have been identified in Asia, each with different leadership requirements.

Private-owned enterprises. The smaller startup companies are often run by families. Some of these companies have grown quickly and shifted from family to professional management, but they still have embedded family cultures.

State-owned enterprises. Large, government-owned enterprises govern the traditional infrastructure. These organizations work to adapt to changing conditions and to make the bureaucracy more adaptable.

Multinational corporations. Large organizations headquartered outside of Asia and doing business in Asia, as well as Asian organizations seeking to do business in the rest of the world, have the challenge of adapting practices from one geography to another.

As Asian leaders recognize the business challenges and subsequent organization cultural requirements, they will be able to determine what they have to know and do to be effective leaders and build effective leadership.

Personal competence. Numerous studies examine whether leaders are born or made. In general, these studies find that about 50 percent of who leaders are comes from their heritage (born) and 50 percent comes from their environment (made). This implies that leaders have predispositions that influence how they think and act, but that leaders can learn to think and act differently if they consciously choose to do so.

In the Asian context, studies show that leadership focuses less on self and more on the context in which one operates, referred to as relational authenticity. While relational authenticity is a predisposition for Asian leaders, research led by Haina Zhang, published in the October 2012 *Asia Pacific Business Review*, found that being authentic to the self can be learned and the two styles can be integrated.

Others show that Thai leaders who master “reflector” (i.e., assimilator of ideas) and “pragmatic” (i.e., favors independence and

much research) learning skills and demonstrate leadership styles associated with transformation (external validity) will be more effective.

A May 2012 study published in the *International Association for Chinese Management Research* found that Chinese paternalistic leadership that is “moral”-focused (treating everyone fairly) and “benevolent”-focused (showing concern for the subordinate’s well-being) enhanced subordinates’ trust in their supervisors and was positively associated with work performance. While the third aspect of paternalistic leadership, “authoritarian,” is more prevalent in the Chinese context, it is not favored by Chinese employees. The study of 271 subordinates reporting to 118 supervisors in 23 private firms in China suggests that authoritarian leadership fails to win trust, so managers should avoid it and use either moral or benevolent leadership styles to motivate Chinese employees.

These findings give insights into what an individual Asian leader needs to recognize to be effective. When leaders are self-aware of their predispositions, they are able to apply or adapt them to their required results.

In Practice

If you are an Asian leader who wants to be more effective, first recognize your biases. Every leader consciously or subconsciously has

biases about work. When these contextual, company and personal biases are codified and recognized, they can be managed. Sometimes it is easy to do what comes naturally; other times, it is important to recognize that the situation requires you to do something else.

Second, recognize the setting in which you work. If you are in a state-owned enterprise, you may be required to make more-dramatic changes to your leadership style. If you are in a private firm, you may have to focus on how to replace yourself with someone whose skills are different from yours. If you are in a multinational corporation, you may have to recognize that leadership means learning to act on Western, not just Eastern, assumptions if you are to become a truly global leader.

Few doubt that leaders and leadership matter. As Asia becomes a sustainable economic global player, the lessons of Asian leadership may help leaders around the world know what they have to do to be more effective. **WL**

Chris Rowley is founding director of the Centre for Research on Asian Management at Cass Business School, City University in London, and editor of the *Asia Pacific Business Review*. Dave Ulrich is a professor at the Ross School of Business, University of Michigan, and a partner at the RBL Group. He is the author of 25 management books, including *HR from the Outside-In* (McGraw-Hill, 2012).

Avoiding ‘Strikes’ on Executive Pay

By Peter Wilson

New remuneration rules in the Corporations Law in Australia took effect in July 2011, and many boards are concerned as to whether a “first strike” will occur at forthcoming annual general meetings. In a first strike, 25 percent or more of shareholders vote against the remuneration report.

A first strike now means that a spill resolution (a call for a vote to remove leadership) will be included on the general membership meeting agenda the following year. If a second strike occurs with 25 percent or more of shareholders rejecting remuneration, a spill resolution will be put to shareholders at the same meeting. If 50 percent or more of eligible votes cast are in favor of the spill, directors will have to stand for re-election.

In 2009 and 2010, Australian firms Challenger, Transurban, Downer EDI and Lynas received two strikes. Rio Tinto, OneSteel, AGL and Billabong each recorded a first strike above 30 percent last year. These prior scores won’t be counted under the new legislation, but they do serve as a reminder that big-name collisions with this new shareholder voting system are possible.

The Australian Human Resources Institute (AHRI) is receiving reports that board members are nervous. The attributes of a well-functioning executive remuneration regime are worth recalling in this context.

As the Australian Productivity Commission concluded in 2009, executive pay in leading Australian companies is similar to executive pay in medium-sized European economies.

Incentive pay systems are here to stay if Australian companies are to remain competitive in the global war for senior executive talent. Finding sound corporate practices to underpin incentive pay is quite another matter. These schemes are normally broken into short- and long-term components, with some companies adding a medium-term element to divert quantum away from the more controversial long end. Short- and medium-term incentives usually have internally

measured benchmarks, where the organization must outperform competitors to trigger a potential executive bonus outcome.

Problems occur—and shareholders usually become agitated—when poorly constructed key performance indicators are used and results for the executive team look more like a good night at the casino

rather than robust indicators that consistently measure links between applied effort and earned results.

In recent times, however, many boards have placed discretionary overrides on such bonus scheme outcomes, reflecting their own insecurity about the new legislation. The exercise of such vetoes has unnerved many top executives who feel they have put in the required effort and produced the targeted result, only to have their otherwise fair entitlements plucked out by directors unable to hold their nerve. Many have complained to AHRI, querying whether an override is a breach of an employment agreement or a director’s fiduciary duty.

A review of incentive plan rules usually shows board directors have covered their posteriors legally to enable such pre-emptive plucking, but many dissatisfied executives are now searching for alternative employment. Incentive scheme rules are the new centerpiece of due diligence for executives on the move, and many are seeking guaranteed bonuses as a sign-on condition.

Bonus shaving may well be a pyrrhic victory for boards, and it also sends a very poor signal about a company’s underlying ethics. Much of this angst about short-term incentive shenanigans is not transparent to



shareholders, but practices around long-term incentives generally are. In the past 10 years, shareholder activists successfully had allocations of long-term incentives driven by total shareholder returns (TSR) when measured against a comparator group of companies.

These allocations are called “relative total shareholder returns.” Senior executives interviewed by AHRI consider this approach similar to buying a lottery ticket. For example, if your company had to outperform a comparator group with Newcrest Mining included, the results from that scheme would probably reflect an inability to keep pace with the world’s move into gold over the last few years. This has bumped up the Newcrest share price, as one of the world’s lowest-cost gold investment plays.

The resulting aversion to relative TSR and the vagaries of

comparator group selections are forcing some boards to move back to using internal performance measures.

Denis Kilroy of KBE Consulting Group outlined a better long-term incentive approach, called TSR Alpha. Under this approach, allocations of long-term share incentives would occur only if a company materially outperformed its own risk-adjusted cost of capital.

Companies wishing to avoid life in the “two strikes” zone should practice better ethics by paying out short- and long-term bonuses in full when management produces shareholder value growth that exceeds investor risk-return expectations. No more, no less. Finding the courage to advocate this as being in everyone’s best interests is the final step. **WL**

Peter Wilson is national president of the Australian Human Resources Institute.

Five HR Issues in Sri Lanka

By Manoaj Keppitipola

More than ever, HR management has become key to the success of any organization in Sri Lanka because businesses are growing fast and evolving at a rapid pace. HR creates the competitive advantage for any organization in a rapidly evolving marketplace. Five trends in particular support this evolution:

- **The changing role of the HR professional.** Human beings are not machines. Attracting, recruiting and retaining the best talent have become the challenges of our time. It is not necessary to talk about bringing HR to the table since it is already there. What is needed is a discussion on how to contribute to the success of the organization. “Be brilliant on basics” applies to HR more than ever. It is very important that the basic HR practices are intact in the organization. CEOs are demanding that HR give something more.
- **The war for talent.** The war for talent is getting fiercer due to the large numbers of working people retiring in the next decade. Top organizations are moving beyond the vanilla “employer-of-choice” concept to a more rigorous strategy of attracting and retaining the right employees through branding. This trend is being observed in Sri Lanka.
- **Outsourcing HR.** CEOs’ expectations of senior HR professionals have changed drastically. HR professionals are expected to deliver value, such as organizational effectiveness, talent management, change management, leadership development, succession planning and strategic compensation. The primary benefit of HR outsourcing is that it will enable the HR department to tackle more-strategic issues while the more transactional tasks are being looked after by the outsourced entities. Outsourcing benefits HR in four key ways:
 - Economies of scale, automation and process improvement, especially for transactional work, lead to cost reduction.
 - It allows HR to allocate time to strategic, not transactional, concerns.
 - It minimizes or transfers legal risk to the outsourcer, and

specialized regulatory expertise helps with regulatory compliance.

- It ensures technology is continually upgraded.

- **Health and wellness.** No organization can gain competitive advantage with an unhealthy workforce. There is a definite link between the work environment and the health and well-being of employees. Striking a balance between the healthy practices and

work practices is a key factor to being healthy and able to work.

At the same time, work/life balance is a key success factor of any employee. Long working hours and heavy job demands are the main sources of work stress. Poor interpersonal relationships and the risk of accident or injury are also cited as sources of stress on the job. If companies ignore the full humanity of their people, or if people find it necessary to suppress their humanness in the workplace, tensions created eat away at the vitality of the organization.

- **Diverse workforce.** Diversity goes far beyond the traditional employment equity criteria of gender, minority or disability status. Diversity is not employment equity; it is a business strategy. In the reality of today’s workforce and the workforce of the future, a diverse, complex collection of employees with different needs and experiences will be essential. Diversity is about managing the demographic and psychographic characteristics of an evolving workforce. Ultimately, the success of a diversity strategy is measured in how well the skills, intelligence, culture and experience of every employee is capitalized. **WL**

Wing Commander Manoaj Keppitipola is director of academic studies at the Sri Lanka Air Force Academy in China Bay.



THE WORLDLINK HR CALENDAR

October, 31, 2012

APG 45th National
Conference

Lisbon, Portugal

Tel: +351 21 352 27 17

E-mail: global@apg.pt

Website: www.apg.pt

November 6-8, 2012

CIPD Annual Conference
and Exhibition

Manchester, England

E-mail: cipd@cipd.co.uk

Website: www.cipd.co.uk

November 27-28, 2012

32nd HKIHRM Annual
Conference & Exhibition

Hong Kong

Tel: (852) 2881 5113

Website: www.hkihrm.org

January 23-25, 2013

HRPA 2013 Annual
Conference and Trade
Show

Toronto, Canada

Tel: +1-905-405-8415

Website: www.hrpa.ca/conf2013

June 16-19, 2013

SHRM 65th Annual
Conference & Exposition

**McCormick Place Convention
Center, Chicago, Illinois, USA**

Tel: 1-703-548-3440

Website: <http://annual.shrm.org/>

September 11-12, 2013

AMEDIRH 48th
International HR
Conference and Exhibition

World Trade Center,

Mexico City, Mexico

Tel : 52-55 5140-2219

Website: www.amedirh.com.mx

Editor's note: Please submit events for the calendar to
Adrienne Fox at afox@pointcs.com.

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WORLDLINK

welcomes news stories, announcements of events and ideas
for articles. These should be accompanied by a telephone
number and e-mail address.

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NEXT ISSUE

The next issue of WorldLink
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Human Resource Management
Association and HR news from
Canada, the United States and
Mexico.

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USA

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