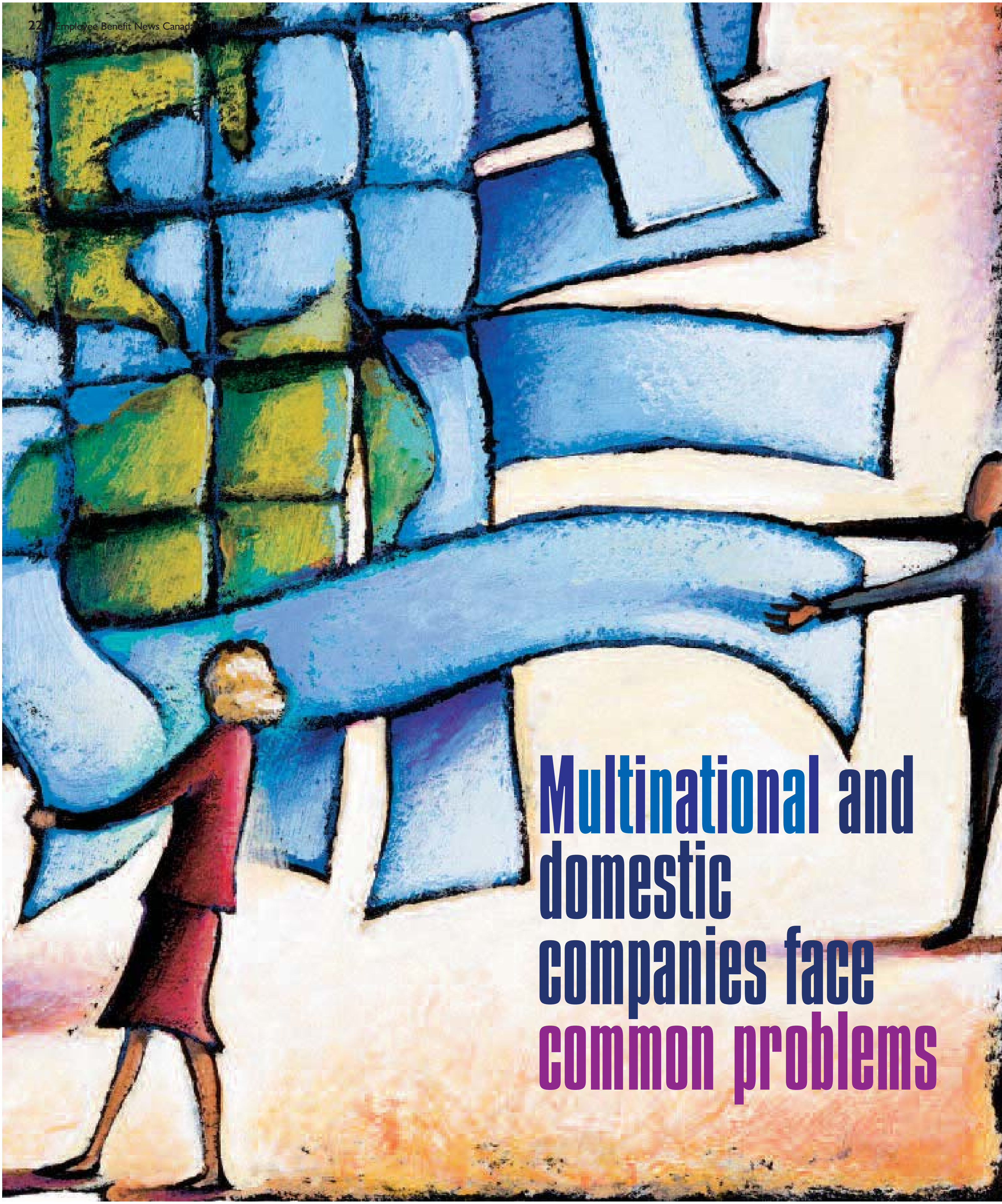

Multinational and domestic companies face common problems

By Stephenie Overman

The most pressing benefit-management concerns multinational companies face now are much the same as the homegrown issues: aging workers, pension funding and high health care costs. However, there is little consensus as to how responsibility for management of these issues can best be split between the head office and individual markets.

"It's not unlike the Canadian market directly," says Margaret French, a principal with Mercer's health and benefits group. "With an aging workforce, drug cost escalation and disability management costs, how do we keep people actively healthy?

"Demographic shifts around the world mean that multinational employers need to find different ways of engaging workers. The benefits of the past may not fit going forward. They have to look creatively at what the solutions may be, to recognize the change in demographics. The values proposition is changing a little bit," according to French.

Global concerns

The main concern for multinational Novartis Pharmaceuticals "is how to maintain the high-quality, competitive benefits program that we offer now, in the face of ever-rising health and welfare insurance premiums," says Jason Jacobs, director of communications for Novartis Pharmaceuticals Canada Inc.

"Aging populations require multinational companies to look more carefully not only at their health care and drug costs, but also at the costs of their disability-management programs, particularly in the areas of depression and mental health," says Gretchen Van Riesen, vice president of global pension and benefits for CIBC, which has operations in the United Kingdom, the United States, Asia and the Caribbean in addition to Canada.

"Companies need to get at the underlying reasons for increases for short- and long-term disability rates. They need to ensure that the programs are competitive in the market. And they need to look at the costs of post-retirement health benefits," Van Riesen continues. "We're making sure that we manage those in the best possible way for sustainability.

"Benefits can be cut back or cost sharing increased, but there are some win-win possibilities such as smart shopping and better consumerism. We've been doing some things like that at the post-retirement level," she says, calling good communication with retirees an important aspect of better health consumerism. CIBC has a retiree Web site and newsletter, plus it brings together a group of retirees regularly to talk about issues.

Funding pension plans is another key issue for global companies, according to Van Riesen. Given the increased costs over the days when interest rates were higher, it may be time for some companies to redesign their plans.

Companies operating in many countries must stay current on pension directions in all of these places, says Annie Boulianne, pension and benefits manager for Inco Limited. Inco has employees in China, the United Kingdom, the United States, and New Caledonia, as well as Canada.

"You have to have consultant companies all over to keep you aware of the trends in other markets. You have to know about the benefit levels, the pension arrangements and legislation," Boulianne says.

Centralized or Decentralized?

Although multinational companies are clear about the benefit management areas that need attention, it's whether they deal with them on a centralized or decentralized basis that is subject to debate.

"Employers are looking to review benefits on a global basis and philosophically, that makes sense," French says. "But there are cultural or market differences. Various delivery systems are significantly different. One size can't fit all. Culturally, what drives employees and what tools engage employees in the employment deal changes from country to county."

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New research from Towers Perrin also shows that "there is no one-size fits all," and that multinationals are customizing compensation and benefit packages to meet needs in individual markets.

The Towers Perrin research analyzed compensation and benefits in 26 locations around the world. The researchers found that the regionally tailored benefits approach can help companies cut costs and bring more consistency to the compensation practices worldwide — at the same time as remaining competitive by varying performance pay and other types of remuneration by country and region based on regulatory and cultural differences.

While regional benefits customization works for compensation and incentives, health care and retirement plan costs concerns affect all countries universally, and cost sharing is understood in any language, Towers Perrin finds.

The success of such strategies depends on high-touch benefits communications.

"Ultimately, a global compensation and benefit strategy works when it goes beyond general statements and is sufficiently detailed, clearly articulated and communicated, and followed through on," the report stated. "As business priorities change and compensation and benefit practices evolve, an HR strategy must be dynamic enough to respond."

CIBC sees itself as a Canadian company with operations in other regions around the world, Van Riesen says. "We don't place a heavy hand. I think that's more true in truly global organizations."

Benefits are monitored globally and the head office gives advice on vendor relationships, but CIBC has no plans to become centralized. "We don't drive benefits from Canada. We give value-added advice," she says.

Inco also takes a decentralized approach, says Boulianne. "We don't want to be looking at the same benefits in Indonesia as in Canada, for example." With the local markets, "we give them support. We want to make sure they are competitive. We want them to be following the market in our industry. We don't want to be the only one giving [a certain] type of benefit," she says.

But multinational companies need a centralized benefit strategy to maintain global alignment with the overall business strategy, argues Erwin Janush, senior vice president of Aon Consulting.

North American multinationals generally have been run in a decentralized way, but "most multinationals have decided the decentralized model isn't the way going forward," Janush says. "I've talked to many multinationals and none are going in a more decentralized direction. Not everyone said they are going to change, but no one is going in the other direction."

Nevertheless, few organizations are interested in going from totally decentralized to totally centralized, Janush adds. The questions are, where companies want to be in the continuum, and how do they get there?

"There's nothing wrong with a decentralized approach, but when you're trying for alignment, when you have a global business strategy, you should have a global HR strategy," he says. "How does the benefits strategy align? Does the local manager know and care? If the local manager is involved in buying [benefit services], what leverage does he/she have? How do you leverage the emerging global workforce if each local company is [part of] a patchwork quilt?"

Multinational companies also must consider compliance issues in each of the countries where they operate. If benefits management is decentralized, "how does headquarters know what the local requirements are?"

People behave in the ways they perceive create the most value for them, Janush continues. "If you talk global, but 95% of a person's bonus is based on local performance, you're giving a different message," he says. The message managers must receive is that while what they do locally is important, it is part of the overall global mission of making the organization better." — ***E.B.N.C.***

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