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Managing globally competent people

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Executive Overview

Transnational firms need transnational human resource management systems. This article recommends global human resource changes at two levels: individual and systemic. First, it presents a set of skills needed by individual managers to be globally competent, highlighting those which transcend the historic competencies required of expatriate managers. Second, it suggests a framework for assessing the global competence of firms' human resource systems. Based on a survey of fifty major North American firms, the authors find today's human resource strategies to be significantly less global than firms' business strategies. To overcome this gap, they identify a series of illusions preventing firms from creating human resource systems which are sufficiently global to support transnational business strategies.

Article

"Top-level managers in many of today's leading corporations are losing control of their companies. The problem is not that they have misjudged the demands created by an increasingly complex environment and an accelerating rate of environmental change, nor even that they have failed to develop strategies appropriate to the new challenges. The problem is that their companies are incapable of carrying out the sophisticated strategies they have developed. Over the past 20 years, strategic thinking has far outdistanced organizational capabilities.[1]*"*

Today, people create national competitiveness, not, as suggested by classical economic theory, mere access to advantageous factors of production.[2] Yet, human systems are also one of the major constraints in implementing global strategies. Not surprisingly therefore, human resource management has become "an important focus of top management attention, particularly in multinational enterprises."[3]

The clear issue is that strategy (the *what*) is internationalizing faster than implementation (the *how*) and much faster than individual managers and executives themselves (the *who*). "The challenges [therefore] are not the 'whats' of what-to-do, which are typically well-known. They are the 'hows' of managing human resources in a global firm."[4]

How prepared are executives to manage transnational companies? How capable are firms' human resource systems of recruiting, developing, retaining, and using globally competent managers and executives? A recent survey of major U.S. corporations found only six percent reporting foreign assignments to be essential for senior executive careers, with forty-nine percent believing foreign assignments to be completely immaterial.[5]

Which firms are leading in developing globally competent managers and executives, and which remain in the majority and lag behind? That majority, according to a recent survey of 1500 CEOs, will result in a lack of sufficient senior

American managers prepared to run transnational businesses, forcing U.S. firms to confront the highest executive turn-over in history.[6]

This article recommends changes in global human resource management at two levels: individual and systemic. First, from an individual perspective, it recommends skills required by individual managers to be globally competent, highlighting those which transcend the historic competencies required of international and expatriate managers. Second, from a systems perspective, it recommends a framework for assessing globally competent human resource systems. It then shows that the majority of North American firms have much room for improvement in developing both globally competent managers and globally effective human resource systems.

By contrast, it describes the approaches of some of the world's leading firms that distinguish them from the majority. There is no question that world business is going global; the question raised in this article is how to create human systems capable of implementing transnational business strategies. Based on their research, the authors support the conclusion of the recent *21st Century Report* that "executives who perceive their international operations as shelves for second-rate managers are unsuited for the CEO job in the year 2000, or indeed any managerial job today."[7]

Transnationally Competent Managers

Not all business strategies are equally global, nor need they be. As will be described, a firm's business strategy can be primarily domestic, international, multinational, or transnational. However, to be effective, the firm's human resource strategy should be integrated with its business strategy. Transnational firms need a transnational business strategy. While superficially appearing to be a truism, transnational firms also need a transnational human resource system and transnationally competent managers.

As summarized in Table 1, transnationally competent managers require a broader range of skills than traditional international managers. First, transnational managers must understand the worldwide business environment from a global perspective. Unlike expatriates of the past, transnational managers are not focused on a single country nor limited to managing relationships between headquarters and a single foreign subsidiary. Second, transnational managers must learn about many foreign cultures' perspectives, tastes, trends, technologies, and approaches to conducting business. Unlike their predecessors, they do not focus on becoming an expert on one particular culture. Third, transnational managers must be skillful at working with people from many cultures simultaneously. They no longer have the luxury of dealing with each country's issues on a separate, and therefore sequential, basis. Fourth, similar to prior expatriates, transnational managers must be able to adapt to living in other cultures. Yet, unlike their predecessors, transnational managers need cross-cultural skills on a daily basis, throughout their career, not just during foreign assignments, but also on regular multicountry business trips and in daily interaction with foreign colleagues and clients worldwide. Fifth, transnational managers interact with foreign colleagues as equals, rather than from within clearly defined hierarchies of structural or cultural dominance and subordination. Thus, not only do the variety and frequency of cross-cultural interaction increase with globalization, but also the very nature of cross-cultural interaction changes.

The development of transnationally competent managers depends on firms' organizational capability to design and manage transnational human resource systems. Such systems, in turn, allow firms to implement transnational business

Table 1
Transnationally Competent Managers

Transnational Skills	Transnationally Competent Managers	Traditional International Managers
Global Perspective	Understand worldwide business environment from a global perspective	Focus on a single foreign country and on managing relationships between headquarters and that country
Local Responsiveness	Learn about many cultures	Become an expert on one culture
Synergistic Learning	Work with and learn from people from many cultures simultaneously	Work with and coach people in each foreign culture separately or sequentially
	Create a culturally synergistic organizational environment	Integrate foreigners into the headquarters' national organizational culture
Transition and Adaptation	Adapt to living in many foreign cultures	Adapt to living in a foreign culture
Cross-cultural Interaction	Use cross-cultural interaction skills on a daily basis throughout one's career	Use cross-cultural interaction skills primarily on foreign assignments
Collaboration	Interact with foreign colleagues as equals	Interact within clearly defined hierarchies of structural and cultural dominance
Foreign Experience	Transpatriation for career and organization development	Expatriation or inpatriation primarily to get the job done

strategies. Before investigating firms' capability to implement transnational business strategies, let us briefly review a range of global business strategies along with each strategy's requisite managerial skills.

The Globalization of Business: Strategy, Structure, and Managerial Skills

Since World War II, industry after industry has progressed from dominantly domestic operations toward more global strategies. Historically, many firms progressed through four distinct phases: domestic, international, multinational, and transnational.[8] As firms progress towards global strategies, the portfolio of skills required of managers undergoes a parallel shift.

Domestic. Historically, most corporations began as domestic firms. They developed new products or services at home for the domestic market. During this initial domestic phase, foreign markets, and hence international managerial skills, were largely irrelevant.

International. As new firms entered, competition increased and each company was forced to search for new markets or resign itself to losing market share. A common response was to expand internationally, initially by exporting to foreign markets and later by developing foreign assembly and production facilities designed to serve the largest of those markets. To manage those foreign operations, firms often restructured to form a separate international division. Within the new international division, each country was managed separately, thus creating a multidomestic nature. Because the foreign operations were frequently seen as an extension—and therefore a replication—of domestic operations, they generally were not viewed as state of the art.

During this international phase, a hierarchical structure exists between the firm's headquarters and its various foreign subsidiaries. Power and influence are concentrated at corporate headquarters, which is primarily staffed by members of the headquarters' national culture. It is during this phase that firms often send their first home country managers abroad as expatriates. Cross-cultural interaction between expatriate managers and local subsidiary staff thus takes place within a clearly defined hierarchy in which headquarters has both structural and cultural dominance.

These "inpatriates" are not encouraged to express the diversity of national perspectives and cultural experience they represent. Rather, they are asked to adapt as the firm implicitly and explicitly integrates them into the organizational culture which is still dominated by the values of the headquarters' national culture.

During this phase, international management is synonymous with expatriation. To be effective, expatriate managers must be competent at transferring technology to the local culture, managing local staff, and adapting business practices to suit local conditions. Specifically, international expatriate managers require cultural adaptation skills—as does their spouse and family—to adjust to living in a new environment and working with the local people. They must also acquire specific knowledge about the particular culture's perspectives, tastes, trends, technologies, and ways of doing business. Learning is thus single country focused—and culturally specific—during the international phase.

Multinational. As competition continues to heighten, firms increasingly emphasize producing least-cost products and services. To benefit from potential economies of scale and geographic scope, firms produce more standardized products and services. Because the prior phase's multidomestic structure can no longer support success, firms restructure to integrate domestic and foreign operations into worldwide lines of business, with sourcing, producing, assembling, and marketing distributed across many countries, and major decisions—which continue to be made at headquarters—strongly influenced by least-cost outcomes.

During the multinational phase, the hierarchical relationship remains between headquarters and foreign subsidiaries. In addition, with the increased importance of foreign operations to the core business, headquarters more tightly controls major decisions worldwide. However, headquarters' decisions are now made by people from a wider range of cultures than previously, many of whom are local managers from foreign subsidiaries posted on temporary "inpatriate" assignments at corporate headquarters. These "inpatriates" are not encouraged to express the diversity of national perspectives and cultural experience they represent. Rather, they are asked to adapt as the firm implicitly and explicitly integrates them into the organizational culture which is still dominated by the values of the headquarters' national culture. While multinational representation increases at headquarters, cultural dominance of the headquarters' national culture continues, remaining loosely coupled with structure.

For the first time, senior managers, those leading the worldwide lines of business, need to understand the world business environment. Similarly for the first time, senior managers must work daily with clients and employees from around the world to be effective. International and cross-cultural skills become needed for managers throughout the firm, not just for those few imminently leaving for foreign postings. Expatriates and "inpatriates" still require cultural adaptation skills and specific local knowledge, but these are not the dominant international skills required by most managers in a multinational firm. For the majority, learning needs grow beyond local context to encompass a need to understand the world business environment. In addition, multinational managers need to be skilled at working with clients and employees from many nations (rather than merely from a single foreign country), as well as at standardizing operations and integrating people from around the world into a common organizational culture.

Transnational. As competition continues to increase and product lifecycles shorten dramatically, firms find it necessary to compete globally, based simultaneously on state-of-the-art, top quality products and services and least-cost production. Unlike the prior phase's emphasis on identical products that can be distributed worldwide, transnational products are increasingly mass-customized—tailored to each individual client's needs. Research and development demands increase as does the firm's need for worldwide marketing scope.

These dynamics lead to transnational networks of firms and divisions within firms, including an increasingly complex web of strategic alliances. Internationally, these firms distribute their multiple headquarters across a number of nations. As a result, transnational firms become less hierarchically structured than firms operating in the previous phases. As such, power is no longer centered in a single headquarters that is coincident with or dominated by any one national culture. As a consequence, both structural and cultural dominance are minimized, with cross-cultural interaction no longer following any pre-defined "passport hierarchy." It is for these firms that transnational human resource strategies are now being developed that emphasize organizational learning along with individual managerial skills.

To be effective, transnational managers need both the culturally specific knowledge and adaptation skills required in international firms, and the ability to acquire a worldwide perspective and to integrate worldwide diversity required in multinational firms. As a consequence, one of the transnational manager's primary skills is to exercise discretion in choosing when to be locally responsive and when to emphasize global integration.

Moreover, the integration required in transnational firms is based on cultural synergy—on combining the many cultures into a unique organizational culture—rather than on simply integrating foreigners into the dominant culture of the headquarters' nationality (as was the norm in prior phases). Transnational managers require additional new skills to be effective in their less hierarchical, networked firms: first, the ability to work with people of other cultures as equals; second, the ability to learn in order to continually enhance organizational capability. Transnational managers must learn how to collaborate with partners worldwide, gaining as much knowledge as possible from each interaction, and, transmitting that knowledge quickly and effectively throughout the worldwide network of operations. This requires managers who both want to learn and have the skills to quickly and continuously learn from people of other cultures.[9]

Transnational Human Resource Systems

The development of such "transnationally competent managers," as discussed previously, depends upon firms' capability to design and manage transnational human resource systems. The function of human resource systems, in general, is to recruit, develop, and retain competent managers and executives. Beyond these core functions, we add utilization: human resource systems facilitate the effective "utilization" of those managers who have been recruited, developed, and retained. Therefore, a transnational human resource system is one that recruits, develops, retains and utilizes managers and executives who are competent transnationally.[10]

Three Dimensions of a Transnational Human Resource System

For a transnational human resource system to be effective, it must exhibit three characteristics: transnational scope, transnational representation, and transnational process. We will describe each briefly, and then discuss their implications for recruiting, developing, retaining, and using human resources.

Transnational Scope. Transnational scope is the geographical context within which all major decisions are made. As Bartlett and Ghoshal have stated, global management is a "frame of mind," not a particular organizational structure.[11] Thus, to achieve global scope, executives and managers must frame major decisions and evaluate options relative to worldwide business dynamics. Moreover, they must benchmark their own and their firm's performance against worldclass standards. They can neither discuss nor resolve major issues within a narrower national or regional context. An example is Unilever's "Best Proven Practices." This British-Dutch consumer products firm identifies superior practices and innovations in its subsidiaries worldwide and then diffuses the outstanding approaches throughout the worldwide organization.[12]

Transnational process, however, is not the mere inclusion of people and ideas of many cultures; rather, it goes beyond inclusion to encompass cultural synergy—the combination of culturally diverse perspectives and approaches into a new transnational organizational culture.

Transnational Representation. Transnational representation refers to the multinational composition of the firm's managers and executives. To achieve transnational representation, the firm's portfolio of key executives and managers should be as multinational as its worldwide distribution of production, finance, sales, and profits. Symbolically, firms achieve transnational representation through the well balanced portfolio of passports held by senior management. Philips, for example, maintains transnational representation by having "the corporate pool." This pool consists of mobile individuals representing more than fifty nationalities, each having at least five years of experience and ranked in the top twenty percent on performance, and all financed on a corporate budget.[13]

Transnational Process. Transnational process reflects the firm's ability to effectively include representatives and ideas from many cultures in its planning and decision-making processes. Firms create transnational process when they consistently recognize, value, and effectively use cultural diversity within the organization; that is, when there is "no unintended leakage of culture specific systems and approaches."[14] Transnational process, however, is not the mere inclusion of people and ideas of many cultures; rather, it goes beyond inclusion to encompass cultural synergy—the combination of culturally diverse perspectives and approaches into a new transnational organizational culture. Cultural synergy requires "a genuine belief . . . that more creative and effective ways of managing people could be developed as a result of cross-cultural learning."[15] To create transnational process, executives and managers must be as skilled at working with and learning from people from outside their own culture as with same culture nationals.

Today's Firms: How Transnational?

A survey was conducted of fifty firms headquartered in the United States and Canada from a wide variety of industries to determine the extent to which their overall business strategy matched their current human resource system, as well as identifying the extent of globalization of their human resource strategies. The results paint a picture of extensive global business involvement. Unfortunately, however, similar involvement in recruiting, developing, retaining, and using globally competent managers is lacking.

Global Strategic Integration

The fifty firms made almost half of their sales abroad, and earned nearly forty percent of their revenues and profits outside of their headquarters' country (the United States or Canada). Similarly, almost two fifths of the fifty firms' employees worked outside the headquarters' country. Yet, when these firms reviewed their human resource systems as a whole, and their senior leadership in particular, they could not reveal nearly as global a portrait.

For example, in comparing themselves with their competitors, the fifty firms found themselves to be more global on overall business strategy, financial systems, production operations, and marketing. However, they found their human resource systems to be the least global functional area within their own organization. Moreover, unlike their assessment in other functional areas, they did not evaluate their human resource systems as being more global than those of their competitors.

Unfortunately, the results of this study indicate that firms' human resource management systems have not become global either as rapidly or as extensively as have their business strategies and structures.

Similarly, the senior leadership of the surveyed firms was less global on all three global indicators—scope, representation, and process—than each firm's overall business performance. For example, an average of only eight countries were represented among the most senior one hundred executives in each firm. Half of the companies reported fewer than four nationalities among the top one hundred executives. Firms therefore have less than a quarter of the international representation in their senior leadership (eight percent) as they have in their global business performance (ie., sales, revenues, and profits: forty percent). Similarly, of the same top one hundred executives in each firm, only fifteen percent were from outside of North America. This represents less than half the internationalization of the senior executive cadre (fifteen percent) as of business performance (forty percent). Moreover, using experience, rather than representation, yields similar results. Of the same one hundred leaders, almost three quarters lacked expatriate experience, with only a third reporting any international experience at all. Not surprisingly, less than one in five spoke a foreign language. On no measure of international experience is the senior leadership of these North American firms as international as the business itself.

Transnational Human Resource Integration
Firms' organizational capability to implement transnational business strategies is supported by transnational human resource management systems. As discussed, such systems should exhibit all three dimensions—transnational scope, transnational representation, and transnational process. These three global dimensions are clearly important for each of the four primary components of human resource systems—recruiting, developing, retaining, and utilizing globally competent people. Each will therefore be discussed separately. Unfortunately, the results of this study indicate that firms' human resource management systems have not become global either as rapidly or as extensively as have their business strategies and structures.

Recruiting. For recruiting decisions, transnational scope requires that firms consider their business needs and the availability of candidates worldwide. Similar to the firm's strategic business decisions, some recruiting decisions must enhance worldwide integration and coordination, others local responsiveness, and others the firm's ability to learn.[16] Local responsiveness requires that firms recruit people with a sophisticated understanding of each of the countries in which they operate; this includes recruiting host nationals. Worldwide integration requires that recruiting be guided by worldclass standards in selecting the most competent people from anywhere in the world for senior management positions. Individual and organizational learning requires that people be selected who are capable of simultaneously working with and learning from colleagues from many nations: people who are capable of creating cultural synergy.

Transnational representation in recruiting requires that firms select managers from throughout the world for potential positions anywhere in the world. In a literal sense, it requires that talent flows to opportunity worldwide, without regard to national passport.

Transnational process in recruiting requires that firms use search and selection procedures that are equally attractive to candidates from each target nationality. Selection criteria, including the methods used to judge competence, must not be biased to favour any one culture.

Similarly, incentives to join the firm must appeal to a broad range of cultures. The antithesis of transnational process was exhibited by one U.S. firm when it offered new college recruits from the Netherlands one of the same incentives it offers its American recruits: free graduate education. The Dutch candidates found this "benefit" amusing given that graduate education in the Netherlands—unlike in the United States—is already paid for by the government and thus free to all students.

Rather than encouraging high potential candidates, this particular incentive made Dutch students hesitate to join a firm that demonstrated such parochialism in its initial contact with them.

The fifty surveyed firms reported that their recruitment and selection activities were less than global in terms of scope, representation, and process. For a summary, see Exhibit 1: Transnational Recruiting.

Worldwide integration requires that recruiting be guided by worldclass standards in selecting the most competent people from anywhere in the world for senior management positions.

Development. In managerial development, transnational scope means that managers' experiences both on-the-job and in formal training situations prepare them to work anywhere in the world with people from all parts of the world; that is, it prepares them to conduct the firm's business in a global environment. Transnational firms search worldwide for the best training and development options and select specific approaches and programs based on worldclass standards.

To achieve transnational representation, training and development programs must be planned and delivered by multinational teams as well as offered to multinational participants. To be transnational, programs cannot be planned by one culture (generally representatives of the headquarters' nationality) and simply exported for local delivery abroad. By contrast, using a transnational approach, American Express created a multinational design team at headquarters to develop training approaches and programs which were subsequently localized for delivery around the world. At no time did American cultural values dominate either the process or the programs.

Transnational process in development requires that the approaches taken effectively include all participating cultures. Thus, the process cannot encourage greater participation by one nationality to the exclusion of other nationalities. Ericsson and Olivetti provide examples of a transnational development approach. Each company created a management development center in which both the staff and executive participants come from all regions of the world. To minimize the possibility of headquarters' cultural dominance, neither company located its management development center in the headquarters'

The 50 surveyed firms reported that their recruitment and selection activities were less than transnational in terms of scope, representation, and process. In selecting future senior managers, the 50 firms ranked an outstanding overall track record as the most important criterion, with foreign business experience, demonstrated cultural sensitivity and adaptability, and a track record for outstanding performance outside the home country ranked as somewhat, but not highly, important. Moreover, foreign language skills were not considered at all important. Similarly, while considering three out of four transnational scope and process skills to be somewhat important for promotion to senior management (understanding world issues and trends; working effectively with clients and colleagues from other countries; and, demonstrating cultural sensitivity), none was considered highly important. Once again, foreign language skills were not considered important for promotion. Similarly, on transnational representation, only a third of the 50 firms stated that they "recruit managers from all parts of the world in which . . . [they] conduct business."

Exhibit 1. Transnational Recruiting

country—Sweden or Italy—but rather both chose another more culturally neutral country.[17]

For transnational firms, foreign assignments become a core component of the organizational and career development process. "Transpatriates" from all parts of the world are sent to all other parts of the world to develop their worldwide perspective and cross-cultural skills, as well as developing the organization's cadre of globally sophisticated managers. Foreign assignments in transnational firms are no longer used primarily to get a job done in a foreign country (expatriation) or to socialize foreign country nationals into the home country headquarters' culture ("inpatriation"), but rather to enhance individual and organizational learning in all parts of the system ("transpatriation"). Using a "transpatriation" approach, Royal Dutch Shell, for example, uses multifunctional and multinational experience to provide corporate wide, transnational skills. Shell's "aim is that every member of an operating company management team should have had international experience and that each such team should include one expatriate . . . [Similarly, at IBM], international experience is [considered] indispensable to senior positions."[18]

In the survey, the fifty firms reported that their training and development opportunities were less than global on all three dimensions of human resource strategy: transnational scope, transnational representation, and transnational process (for a summary of the research, see Exhibit 2: Transnational Development). Similar to recruitment, training and development approaches currently are not nearly as global as are overall business strategies. To reduce the gap between the relative globalization of firms' strategies and their less-than-global human resource systems, firms must learn how to recognize, value, and use globally competent managers. As one surveyed executive summarized, closing the gaps begins by having "the key organizational development activity . . . focused on allowing people of different nationalities to meet and to get to know each other, and, through these linkages, to meet the needs of the company."

Retaining. Transnational scope in retaining managers means that decisions about career paths must consider the firm's needs and operations worldwide.

In the survey, the 50 firms reported that their training and development opportunities were less than transnational on all three dimensions of human resource strategy: scope, representation, and process. Fewer than one in four of the firms reported that the content of their training programs was global in focus, that they had representatives of many nations attending each program, or that their programs were designed or delivered by multinational training teams. Only four percent reported that cross-cultural training was offered to all managers. However, the firms did report offering a greater number of general development opportunities worldwide than specific international training programs. A third of the firms provide equivalent development opportunities for managers worldwide and 42 percent provide such opportunities for managers of all nationalities.

In reviewing foreign assignments, the 50 firms report using expatriates primarily to "get the job done abroad," not to develop the organization, nor to develop the individual manager's career. Given their emphasis on getting the immediate job done, it is not surprising that they did not report consistently selecting the "stars" (either high potential junior managers or very senior, top-performing executives) for expatriate positions. To increase globalization in their development programs, the surveyed executives strongly recommended "transferring different nationalities to different countries several times in their career" and "making it clear to these employees that international assignments are important to career development." However, to date, the majority of the surveyed films do not have such recommended programs in place.

Exhibit 2. Transnational Development

Performance incentives, rewards, and career opportunities must meet worldclass standards such that the firm does not lose its most competent people. Firms must benchmark excellence in their human resource systems against their most significant global competitors in the same ways that they assess the relative competitiveness of their research and development, production, marketing, and financial systems.

Transnational representation requires that organizational incentives and career path opportunities be equally accessible and appealing to managers from all nationalities. Firms with transnational human resource systems do not create a glass ceiling beyond which only members of the headquarters' nationality can be promoted.

Firms must benchmark excellence in their human resource systems against their most significant global competitors in the same ways that they assess the relative competitiveness of their research and development, production, marketing, and financial systems.

Transnational process requires that the performance review and promotion systems include approaches which are equally appropriate to a broad range of nationalities. The process by which promotion and career path decisions are made should not be innately biased towards any one culture, nor should it exclude particular cultures. The underlying dynamic in transnational process is not to institute identical systems worldwide, but rather to use approaches which are culturally equivalent. Shell for example, ensures this transnational orientation by having managers' "career home" be in "a business function rather than a geographical place."[19] As one surveyed senior executive summarized, firms considered to be outstanding in transnational human resource management are "flexible enough in systems and practices to attract and retain the best people regardless of nationality."

Utilizing. Transnational scope in utilization means that managers' problem solving skills are focused on the firm's worldwide operations and competitive environment, not just on the regional, national, or local situation. To assess the competitive environment in transnational human resource management, the fifty surveyed firms identified leading North American, European, and Asian companies. The top North American firm was perceived to be IBM, followed by General Electric, and Citicorp. The surveyed firms identified Royal Dutch Shell as the leading European firm, followed by Nestle and Philips, along with British Petroleum and Unilever. Sony was selected as the leading Asian firm, followed by Honda, Toyota, and Mitsubishi. Yet, in reviewing the pattern of responses, a significant proportion of the surveyed firms do not appear to be benchmarking excellence in global human resource management at all, and an even greater number appear to be geographically limiting their perspective to a fairly narrow, parochial scope. For instance, almost a fifth of the surveyed firms (all of which are North American) could not name a single leading North American firm. Even more disconcerting, more than a third could not identify a single excellent European firm, and half could not name a single excellent Asian firm.[20]

Beyond scope, transnational representation in utilization means that managers and executives of many nationalities are included in the firm's critical operating and strategic planning teams. Managers from outside of headquarters are not "out of sight and out of mind;" rather they are integrated into the worldwide network of knowledge exchange, continual learning, and action. For example, as Unilever's director of management development explains:

"In recent years, I have had several product group directors . . . [want] an expatriate on the board of the local company. Not just because they haven't got a national, not just because it would be good for the expatriate, but because it would be good for the company to have a bit of challenge to the one-best-way of doing things."[21]

Transnational process in human resource utilization means that the organization culture does not inherently bias contributions from or towards any particular cultural group. The human resource system recognizes the firm's cultural diversity and uses it either to build culturally synergistic processes that include all cultures involved or to select the particular process that is the most appropriate for the given situation.

Illusions and Recommendations

From the prior discussion, it is clear that transnational human resource systems are both fundamentally important for future business success and qualitatively different from prior approaches to human resource management. Equally evident is the fact that North American firms' human resource systems are not nearly as global as their business operations on any of the three fundamental human resource dimensions: transnational scope, transnational representation, and transnational process. Competitive demands appear to have "outrun the slow pace of organizational change and adjustment . . . [with] top management beginning to feel that the organization itself is the biggest barrier to competitive and strategic development."[22] It is telling that in most cases the respondents found the survey itself to be important and yet very difficult to complete, primarily because their firms did not systematically collect or keep data on any aspect of global human resource management.

The remaining question is why. There appears to be a series of illusions—of mind traps—that are preventing firms from acting in a global manner, including recognizing the mental gap between their current human resource approaches and those necessary to succeed in a highly competitive transnational business environment. Many of the surveyed executives recognized that their firms simply "lack global thinking" and "lack global business strategies," largely due to the "massive U.S. imprint on human resource practices." According to many of the American executives, firms must "stop thinking that the world begins and ends at U.S. borders," "stop having a U.S. expatriate mentality," and begin to "realize that the world does not revolve around us." This pattern of responses suggests the following seven illusions.

Illusion One: If business has gone well, it will continue to go well

No, today is not like yesterday, nor will tomorrow be a projection of today. Business has fundamentally changed, and human resource systems must undergo similar transformational changes to stay relevant, let alone effective. As Kenichi Ohmae has pointed out, "Today and in the twenty-first century, management's ability to transform the organization and its people into a global company is a prerequisite for survival because both its customers and competitors have become cosmopolitan."[23]

Illusion Two: We have always played on a level playing field and won

No. The North American economies (and therefore North American firms) have had an advantage: they were the only developed economies left intact following World War II and were thus "the only game in town." Today, Asia, Europe, and the Americas each have highly competitive firms and economies, none of which will continue to prosper without being excellent at including people and business worldwide. As Ohmae has observed, "The key to a nation's future is its human resources. It used to be its natural resources, but not any more. The quality and number of its educated people now determines a country's likely prosperity or decline"; so too with global firms.[24]

Illusion Three: If we manage expatriates better, we will have an effective global human resource system

No. Doing better at what was necessary in the past (expatriate management) is not equivalent to creating systems capable of sustaining global competitiveness today. Whereas the temptation is to attempt to do better at that which is known (in this case, the simple expatriation of managers), the real challenge is to excel at that which is new. Transnational firms need transnational human resource systems to succeed. Better managed expatriate transfers will only improve one small aspect of existing human resource management, not create an overall transnational system.

Illusion Four: If we're doing something, we must be doing enough
No. Focusing on only one of the three transnational dimensions—scope, representation, or process—is not enough to transform domestic, international, or multinational human resource approaches into truly transnational systems. Bringing a "foreigner" onto the board of directors, for example, gives the illusion of globalization, but is insufficient to underpin its substance.

Illusion Five: If "foreigners" are fitting in at headquarters, we must be managing our cultural diversity well
No. This is a multinational paradigm trap. In multinationals, foreigners must adapt to the headquarters' culture, including learning its native language. Multinationals typically see cultural differences "as a nuisance, a constraint, an obstacle to be surmounted."[25] In transnational firms, all managers make transitions, all managers adapt, and all managers help to create a synergistic organizational culture which transcends any one national culture.

Illusion Six: As national wealth increases, everyone will become more like us
No. To the extent that the world is converging in its values, attitudes, and styles of doing business, it is not converging on a single country's national pattern, even that of the world's wealthiest nation. "The appealing 'one-best-way' assumption about management, the belief that different cultures are converging at different paces on the same concept of organization, is dying a slow death."[26] Moreover, transnational firms need to create transnational cultures that are inclusive of all their members, not wait for the world to converge on a reality that looks like any particular firm's national culture, even one that looks "just like us."

Illusion Seven: If we provide managers with cross-cultural training, we will increase organizational capability.
No. Increased cognitive understanding does not guarantee increased behavioral effectiveness, nor is enhanced individual learning sufficient for improved organizational effectiveness. Simply increasing the number of cross-cultural training programs offered to individual managers does not ensure that they will actually use the skills on a regular basis, nor that the firm as a whole will benefit from the potentially improved cross-cultural interaction. To benefit, the individual must want to learn that which is not-invented-here and the organization must want to learn from the individual. To enhance organizational capability, managers must continually work with and learn from people worldwide and disperse that knowledge throughout the firm's worldwide operations.

Despite the seemingly insurmountable challenges, firms are beginning to address and solve the dilemmas posed by going global. To date, no firm believes it has "the answer," the solution to creating a truly transnational human resource system. However, a number of firms are currently inventing pieces of the solution which may cohere into just such a system. For example, as John Reed, CEO of Citicorp, describes:

"There are few companies in the world that are truly global. . . . Our most important advantage is our globality. Our global human capital may be as important a resource, if not more important, than our financial capital. Look at the Policy Committee, the top thirty or so officers in the bank. Almost seventy-five percent have worked outside the United States; more than twenty-five percent have worked in three or more countries. Half speak two or more languages other than English. Seven were born outside the United States."[27]

Perhaps, then, a primary role of transnational human resource executives today is to remain open to fundamental change and to continue to encourage the openness and experimentation needed to create truly global systems.

Endnotes

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[1] Christopher A. Bartlett and Sumantra Ghoshal, "Matrix Management: Not a Structure, a Frame of Mind" *Harvard Business Review*, July-August 1990, 138.

[2] See Michael E. Porter, *The Competitive Advantage of Nations* (New York: The Free Press, 1990).

[3] Paul A. Evans, Yves Doz, and Andre Laurent, *Human Resource Management in International Firms* (London: Macmillan Press, 1989), xi-1.

[4] Ibid.; also see Gunnar Hedlund "Who Manages the Global Corporation? Changes in the Nationality of Presidents of Foreign Subsidiaries of Swedish MNCs During the 1980s," Working Paper, (Institute of International Business and the Stockholm School of Economics, May 1990).

[5] See Donald C. Hambrick, Lester B. Korn, James W. Frederickson, and Richard M. Ferry, *21st Century Report: Reinventing the CEO* (New York: Korn/Ferry and Columbia University's Graduate School of Business, 1989), 1-94.

[6] Ibid.

[7] Ibid., 57.

[8] See Nancy J. Adler and Fariborz Ghadar "International Strategy from the Perspective of People and Culture: The North American Context," in Alan M. Rugman (ed.), *Research in Global Strategic Management: International Business Research for the Twenty-First Century; Canada's New Research Agenda*, Vol. 1, (Greenwich, Conn.: JAI Press, 1990) 179-205; and "Strategic Human Resource Management: A Global Perspective," in Rudiger Pieper (ed.), *Human Resource Management in International Comparison* (Berlin, de Gruyter, 1990), 235-260.

[9] See Gary Hamel, Yves Doz, and C.K. Prahalad "Collaborate With Your Competitors and Win," *Harvard Business Review*, 89(1), 1989, 133-139.

[10] For a review of international human resource management, see Nancy J. Adler, *International Dimensions of Organizational Behaviour*, 2nd ed. (Boston: PWS Kent 1991); Peter J. Dowling "Hot Issues Overseas," *Personnel Administrator*, 34(1), 1989, 66-72; Peter J. Dowling & R. Schuler, *International Dimensions of Human Resource Management* (Boston: PWS Kent, 1990), Peter J. Dowling & Denise E. Welch, "International Human Resource Management: An Australian Perspective," *Asia Pacific Journal of Management*, 6(1), 1988, 39-65; Yves Doz & C.K. Prahalad "Controlled Variety: A Challenge for Human Resource Management in the MNC," *Human Resource Management*, 25(1), 1986, 55-71; A. Edstrom & J.R. Galbraith "Transfer of Managers as a Coordination and Control Strategy in Multinational Firms," *Administrative Science Quarterly*, 22, 1977, 248-263; Evans, Doz, & Laurent, (1989) op. cit.; Andre Laurent "The Cross-Cultural Puzzle of International Human Resource Management," *Human Resource Management*, 25(1), 1986, 91-101; E.L. Miller, S. Beechler, B. Bhatt, & R. Nath, "The Relationship Between the Global Strategic Planning Process and the Human Resource Management Function," *Human Resource Planning*, 9(1), 1986, 9-23; John Milliman, Mary Ann Von Glinow, & Maria Nathan, "Organizational Life Cycles and Strategic International Human Resource Management in Multinational Companies: Implications for Congruence Theory," *Academy of Management Review*, 16(2), 1991, 318-339; Dan A. Ondrack, "International Human Resources Management in European and North American Firms," *Human Resource Management*, 25(1), 1985, 121-132; Dan A. Ondrack, "International Transfers of Managers in North American and European MNEs," *Journal of International Business Studies*, 16(3), 1985, 1-19; Vladimir Pucik, "The International Management of Human Resources," in C.J. Fombrun, N.M. Tichy, & M.A. Devanna (eds.), *Strategic Human Resource Management* (New York: Wiley, 1984); Vladimir Pucik & Jan Hack Katz, "Information, Control and Human Resource Management in Multinational Firms," *Human Resource Management*, 25(1), 1986, 121-132; and, Rosalie Tung, *The New Expatriates: Managing Human Resources Abroad* (New York: Harper & Row 1988), and "Strategic Management of Human Resources in Multinational Enterprises," *Human Resource Management*, 23(2), 1984, 129-143; among others.

[11] Op. cit., 1990.

[12] Unilever's "Best Proven Practice" technique was cited by Philip M. Rosenzweig and Jitendra Singh, "Organizational Environments and the Multinational Enterprise," *Academy of Management Review*, 16(2), 1991, 354, based on an interview that Rosenzweig conducted with Unilever.

[13] See Paul Evans, Elizabeth Lank, and Alison Farquhar, "Managing Human Resources in the International Firm: Lessons from Practice," in Paul Evans, Yves Doz, and Andre Laurent, 1989, op. cit., 138.

[14] Kenichi Ohmae, *The Borderless World: Power and Strategy in the Interlinked Economy* (New York: Harper Business, 1990), 112.

[15] Andre Laurent, op. cit., 1986, 100.

[16] See C.K. Prahalad and Yves Doz, *The Multinational Mission: Balancing Local Demands and Global Vision*, (New York: Free Press, 1987); also, for a discussion of global

integration versus local responsiveness from a business strategy perspective, see Michael E. Porter, "Changing Patterns of International Competition," *California Management Review*, 28(2), 1986, 9-40; and Christopher A. Bartlett, "Building and Managing the Transnational: The New Organizational Challenge," in M.E. Porter (ed.) *Competition in Global Industries* (Boston: Harvard Business School Press, 1986), 367-401, who explicitly developed the concepts, along with initial work and elaboration by: Christopher A. Bartlett & Sumantra Ghoshal, *Managing Across Borders: The Transnational Solution* (Boston: Harvard Business School Press 1989); Yves Doz, "Strategic Management in Multinational Companies," *Sloan Management Review*, 21(2), 1980, 27-46; Yves Doz, Christopher A. Bartlett, & C.K. Prahalad, "Global Competitive Pressures and Host Country Demands: Managing Tensions in MNCs," *California Management Review*, 23(3), 1981, 63-73; and Yves Doz & C.K. Prahalad, "Patterns of Strategic Control Within Multinational Corporations," *Journal of International Business Studies*, 15(2), 1984, 55-72.

[17] See Evans, Lank and Farquhar, op. cit., 1989, 119.

[18] Ibid., 130-131; 139.

[19] Ibid., 141.

[20] An even more disconcerting display of ignorance was that four surveyed firms listed 3M, Citicorp, Ford, and General Motors as European firms, and in another four responses, Dupont, Eastman Kodak, Coca-Cola, and Wang were identified as leading Asian firms.

[21] Evans, Lank, and Farquhar, op. cit., 122.

[22] Paul Evans and Yves Doz, "The Dualistic Organization," in Evans, Doz, & Laurent, op. cit., 1989, 223: based on the earlier work of Doz, "Managing Manufacturing Rationalization Within Multinational Companies," *Columbia Journal of World Business*, 13(3), 1978, 82-94; and Prahalad and Doz, op. cit., 1987.

[23] *Beyond National Borders* (Homewood, Illinois: Dow Jones-Irwin, 1987), 93.

[24] Ibid., 1.

[25] Evans, Lank & Farquhar, op. cit., 115.

[26] Ibid., 115.

[27] Noel Tichy and Ram Charan, "Citicorp Faces the World: An Interview with John Reed," *Harvard Business Review*, November-December, 1990, 137.

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