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# Global Talentship: Toward a Decision Science Connecting Talent to Global Strategic Success

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# Global Talentship: Toward a Decision Science Connecting Talent to Global Strategic Success

## **Abstract**

It is widely accepted that global competitive advantage frequently requires managing such complex situations that traditional organization and job structures are simply insufficient. Increasingly, in order to create a flexible and integrated set of decisions that balance local flexibility with global efficiency, organizations must rely on more social, informal and matrix-based shared visions among managers and employees. Research on global strategic advantage, global organizational structures, and even shared mindsets has suggested that dimensions of culture, product and function provide a valuable organizing framework. However, typical decisions about organization structure, HRM practices and talent often remain framed at such a high level as to preclude their solution. We maintain that there is often no logical answer to such questions as, “Should the sales force be local or global?” or “Should product authority rest with the countries or the corporate center?” However, we propose that embedding business processes or value chains within a Culture and Product matrix provides the necessary analytic detail to reveal otherwise elusive solutions. Moreover, by linking this global process matrix to a model that bridges strategy and talent, it is possible to identify global “pivotal talent pools,” and to target organizational and human resource investments toward those talent areas that have the greatest impact on strategic advantage. We demonstrate the Value-Chain, Culture and Product (VCCP) matrix using several examples, and discuss future research and practical implications, particularly for leadership and leadership development.

## **Keywords**

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Working Paper 02 - 21



# Global Talentship: Toward a Decision Science Connecting Talent to Global Strategic Success

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### **Abstract**

It is widely accepted that global competitive advantage frequently requires managing such complex situations that traditional organization and job structures are simply insufficient. Increasingly, in order to create a flexible and integrated set of decisions that balance local flexibility with global efficiency, organizations must rely on more social, informal and matrix-based shared visions among managers and employees. Research on global strategic advantage, global organizational structures, and even shared mindsets has suggested that dimensions of culture, product and function provide a valuable organizing framework. However, typical decisions about organization structure, HRM practices and talent often remain framed at such a high level as to preclude their solution. We maintain that there is often no logical answer to such questions as, “Should the sales force be local or global?” or “Should product authority rest with the countries or the corporate center?” However, we propose that embedding business processes or value chains within a Culture and Product matrix provides the necessary analytic detail to reveal otherwise elusive solutions. Moreover, by linking this global process matrix to a model that bridges strategy and talent, it is possible to identify global “pivotal talent pools,” and to target organizational and human resource investments toward those talent areas that have the greatest impact on strategic advantage. We demonstrate the Value-Chain, Culture and Product (VCCP) matrix using several examples, and discuss future research and practical implications, particularly for leadership and leadership development.

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## **Introduction**

The field of global human resource management (HRM) and strategy has advanced significantly in recent years. The increasing importance of human resources, or “talent” as we shall use the term here, has prompted most organization leaders not only to state that “people are our most important asset,” but also to take tangible strategic actions that embody that claim. While the vast majority of research and practice devoted to global human resource management has focused on the processes of expatriation and repatriation, and this has been quite valuable in enhancing these processes (see Dowling, Welch and Schuler, 1999), there is increasing attention on broader strategic issues and the need to incorporate, and even lead with, decisions about human resources as organizations strive to compete globally. Significant advances have been made in our understanding of the importance of human resources to global success, and the sophistication with which human resource practices and structures can be applied to global operations.

Yet, there remains significant room for improvement. Despite the consistent recognition that effective human resource management requires a clear and tangible link between decisions about people and key global strategic success factors, current research continues to lament the inadequacy of existing HRM frameworks for providing such linkages (Novicevic and Harvey, 2001, p. 1260).

### **Global Success Depends on Informal Social Networks**

Future global strategic success may rest more on informal and less tangible social networks, the “mind matrix,” which involves the internalization of control by cadres of socialized managers, to replace the rigidity and expense of external structural control. As Engle, Mendenhall, Powers and Stedham ( 2001, p. 348) note, “This mind matrix control, a form of ‘social’ as opposed to ‘bureaucratic’ control, appears well suited to more nimbly carry out the locally responsive, yet globally directed transnational strategy (Adler and Ghadar, 1992; Engle and Stedham, 1998, Ouchi, 1981).”

Even the most detailed organization designs, supported by the most elegant and sophisticated human resource practices, are unlikely to be fully effective without frameworks and tools to promote this shared strategic understanding. Dowling, et al. (1999) noted that increasingly informal control mechanisms will move “beyond the matrix” where authority and coordination are no longer embedded cleanly within structure, but instead are shared and shifted between “corporate centers” and “nodal units” in regions or key product areas. They suggested several human resource practices to develop global competencies and experiences that support a network of leaders who share a common strategic understanding about the organization’s success.

This poses a significant dilemma for global organizations, and for the human resource management profession that supports them. Advances in formal organizational design and global human resource practices are important. Yet, a significant future challenge for global organizations will be to develop and enhance their ability to informally but tangibly link the elements of their people – what we call “talent” – to the key elements of their global strategies. As organizations rely more on informal and shared philosophies and understanding about strategic goals and resources, the “glue” that holds them together will increasingly be embedded in the array of *decisions* about talent, rather than in rules, hierarchies, human resource practices or job descriptions. Yet, the dominant models of global HRM continue to focus on improving human resource management HRM *practices* applied to the global workforce, albeit with increasing attention to the nuances of country, culture and local market variations (e.g., Bloom, Milkovich & Mitra, 2002; Dowling, et al., 1999).

### **HRM Focuses on Formal Structures, Services and Practices**

Traditionally, HRM relies on activities such as global staffing, global task forces and oversight committees (Taylor and Beechler, 1993), supplemented by key HRM activities in areas such as remuneration, labor relations, training, communications, etc., as ways to develop the “soft structures within global organizations that function both as informal control devices and

as coordinating inducers of subsidiary collaboration and competition. Yet these technologies are ultimately the means to a much larger end -- to maintain a differentiated fit in managing the decentralized global firm (Bartlett & Ghoshal, 1989). Dowling, et al. (1999, p. 50) cite five dimensions of these new structures: “delegation of decision-making authority to appropriate units and levels; geographical dispersal of key functions across units in different countries; de-layering of organizational levels; de-bureaucratization of formal procedures; and differentiation of work, responsibility, and authority across the networked subsidiaries.”

Not only do traditional HRM frameworks overemphasize formal structures and programs, but human issues generally, and HRM particularly, remain tangential considerations in global strategic decisions. For example, Novicevic and Harvey (2001, p. 1260) noted that (1) the traditional area of technical and administrative responsibility for the human resource management function appears to be too narrow to influence the firm-level strategic decisions (Baron and Kreps, 1999); (2) the typical argument for HR effectiveness lacks both formal and practical legitimacy, so HR is perceived as marginal and merely derivative of the corporate strategy (Galang, et al., 1999); (3) HR managers are usually isolated from major global strategic decisions, unless some industrial relations-specific issue, such as union contract negotiation/administration, is involved (Schuler, 1989); (4) In comprehensive corporate changes, such as cross-border mergers and acquisitions, the IHRM-related strategic decisions are made post hoc (Jennings, 1994), and (5) international HRM issues, even when strategic, are considered by top management only in strategy implementation, not strategy formulation, and only within a narrow scope of country-specific employment , such as difficult bargaining situations or major layoffs (Russ, et al., 1998).

### **The Need for a Decision Science for Talent**

To remedy this situation, we propose that in addition to improving the application of organization design tools and HRM activities, we must fully develop a “decision science” for global talent. As we will discuss, a decision science focuses on “improving organizational



strategic success through decisions that impact or depend on talent, wherever they are made” (Boudreau & Ramstad, 2002; in press, a). We call this decision science “Talentship.”

While the traditional focus on HRM programs and activities, organizational designs, and service delivery to partners are and will remain important, it is increasingly the amalgam of decisions, and the informal and formal cognitive frameworks that support them, that create the “mind matrix” and “strategic philosophy and vision” that underlie the informal social networks so essential to future global success. For example, Hitt, Keats and Yucel (this volume) show that trust is a key component of such informal networks, both within and outside the organization. They suggest, “When trust exists in the team, individual team members are willing to think creatively, express new and different ideas and to take risks, in general.” We propose that risk taking and sharing are enhanced by a shared decision logic, particularly regarding talent. Individual organizational members make decisions about whether and how to apply their personal talents, in part based on trust, and trust can be enhanced by shared mental models.

If future global success rests on organization structures that are more informal, social, tacit and free of rules and bureaucracy, then what elements will substitute for the traditional organizing mechanisms of formal organization structure, HRM practices, control systems, and job-based frameworks for measuring, rewarding and assessing organizational talent? Financial and marketing systems, though certainly not immune to abuse, create very powerful systems of informal authority. We have argued (Boudreau & Ramstad, 1997, 2002, in press, a) that these more mature decision support systems accomplish their effects largely by enhancing the thousands of individual decisions about financial or customer capital, made every day throughout the organization.

The measures of accounting and sales are quite tangible, but the success of Finance and Marketing as decision frameworks rests on a common “point of view” and shared “language” for understanding how key resources contribute to competitive advantage. As Boudreau and Ramstad (in press, a) noted,

Marketing evolved as a decision science from the professional practice of sales. Finance evolved as a decision science from the professional practice of accounting. ... it is the science of Finance that applies portfolio theory to [accounting] numbers, to support decisions about the appropriate mix of financial instruments to optimize risk and return for an organization, and the appropriate deployment of financial capital to investments. Similarly, the sales process generates important data ... it is the science of Marketing that developed and applies the theory of customer segmentation and product life-cycles to support decisions about advertising, product placement, etc. Finance is the decision science that improves organizational performance by enhancing decisions about financial capital. Marketing is the decision science that improves organizational performance by enhancing decisions about customer capital.

As powerful as Marketing and Finance may be, they are myopic with regard to talent decisions. Yet, emerging organizational models suggest that future global organizations must increasingly rely on just this sort of shared framework for global talent. How will such competencies be detected, measured, articulated and enhanced? How will some sort of consistent vision and philosophy be maintained? What “common language” will underlie the myriad informal organizational and social ties that will drive this new system? We believe that these essential elements will emerge through a decision science for talent. Talentship is both essential and embryonic, as we see if we examine the current state of international HRM.

For example, the concept of “global mindset” has been a long been a staple of international strategy and HRM discussions, yet has remained largely undefined and unmeasured (Hollenbeck, 2001, p. 41). We propose that a global mindset is embodied in the pattern of decisions, and the cognitive frameworks that support them. Indeed, we would argue that the purpose of global strategic HRM frameworks is to guide such decisions about the practice and research of globalization. Thus, understanding, articulating, measuring and enhancing global decision frameworks is fundamental to advancing global strategic HRM and leadership.

Global leadership relies, in part, on creating a “teachable point of view” (Tichy & Cohen, 1997). Regarding talent, this requires that leaders communicate this point of view to enhance global decisions. Hollenbeck (2001, p. 35) noted that leadership development must include “communicative learning” — what others mean and making ourselves understood. Conger and Benjamin (2000, p. 170) noted that “collective dialogue” across levels and functions builds a common understanding of a firm’s vision. Every global leadership development system imparts a shared framework for understanding and communicating how financial and customer resources connect to global strategic competitiveness (e.g., Conger & Benjamin, 2000, p. 156 and 214). Yet, it is rare to find leadership development programs that impart such well-developed and shared frameworks to guide leaders’ thinking about how *talent* connects to global competitiveness. As a result, organizational strategies tend to have clearer connections and implications for financial and customer capital than for human capital, in part because the decision sciences of finance and marketing are so well developed and understood by a wide array of leaders. If HRM is to evolve beyond the tangential role described previously, then this decision science must not only articulate the talent-strategy connection, it must also guide the deployment of HRM practices and investments, and articulate their effect on global competitiveness. A framework that articulates these connections is essential for the reliable networks and social systems that will be the hallmark of successful future global organizations.

In this chapter, we will develop illustrate such a framework, and demonstrate its application and implications for future global leadership and HRM practice and research. We make no claim to present a fully formed decision science here. Indeed, our purpose is to motivate and encourage scholars, consultants and managers of international HRM to take up the challenge of building on these ideas to develop developing such a decision science.

### **The HC BRidge™ Strategic Human Capital Framework<sup>1</sup>**

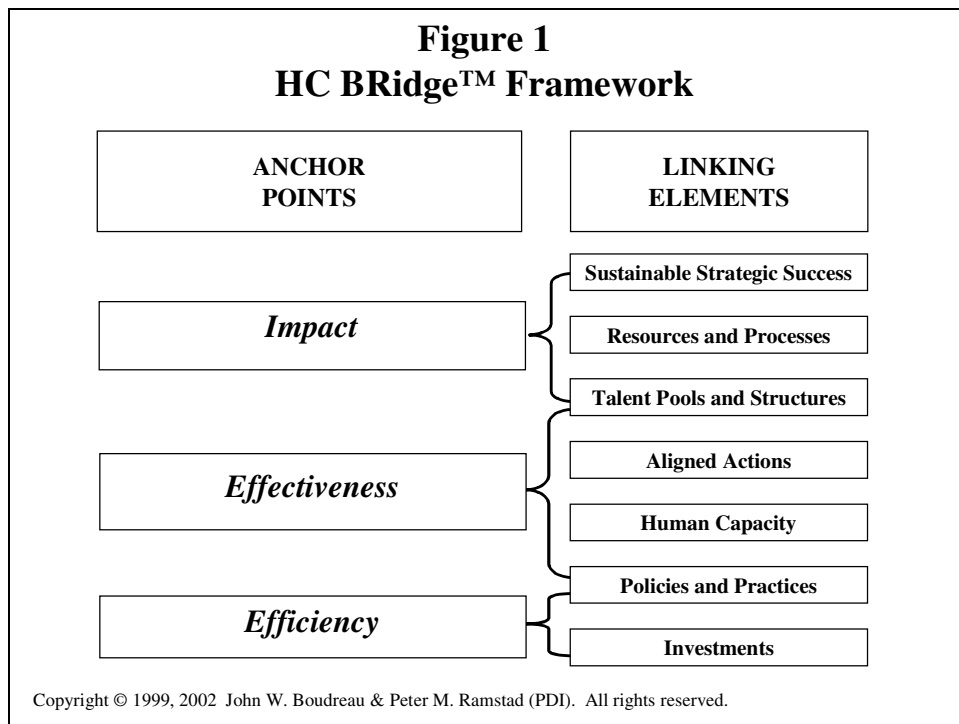
An increasingly common theme in strategic human resource management research is the need to reveal what is within the “black box” between HR practices and strategic organizational outcomes (e.g., Dyer & Shafer, 1999; Becker & Gerhart, 1996; Chadwick & Cappelli, 1999; McMahan, Virick & Wright, 1999). Inspired by tantalizing evidence that HR practices associated with firm-level financial outcomes, researchers have begun to insert selected intervening variables into studies of this relationship (e.g., attitudes, turnover, etc.). We propose that global strategic and HR management must go to the next step – to move beyond simply acknowledging the “black box” and instead to articulate and test a rich and detailed framework of linking elements. In essence, it is time to move from “black box” to a bridge. As we have seen, the lessons obtained from disciplines such as Marketing and Finance suggest the importance and power of such frameworks for advancing theory-building, measurement and management influence. We must develop a decision science that specifies a rich and logical set of connections between talent and strategic success.<sup>2</sup>

Figure 1 contains the model we have proposed to articulate organizational or business unit strategies tangibly enough to connect them to human capital and human resource investments. Some of these links have been proposed before (e.g., Becker & Huselid, 1998; Boudreau, 1998; Boudreau & Ramstad, 1997; Cascio, 1996; Fitz-enz, 2000). A more detailed application of the HC BRidge framework to the strategic challenges of the Internet can be found in Boudreau, Dunford & Ramstad (2001). Here, we concentrate on the three major anchor points of the framework.

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<sup>1</sup> HC BRidge™ is a trademark of the Boudreau-Ramstad Partnership

<sup>2</sup> This section is derived largely from Boudreau and Ramstad (in press)



“*Impact*” identifies how elements of strategic success (e.g., uniqueness, growth, profitability) link with talent pools. We use the term talent pools, rather than jobs, to focus on contribution rather than administration. This is consistent with the increasing call among global HRM scholars to move beyond traditional job-based systems emphasizing command and control (Engle, Mendenhall, Powers & Stedham 2001; Novicevic & Harvey, 2001). For example, in entering an emerging country, a talent pool would be those who affect relations with the host-country government or other public authorities. Certainly, the job of the government contract negotiator would be a part of this talent pool, but it would comprise elements of other roles that affect such relationships, including lobbyists, top managers who interact with government representatives, and even employees in the local operations who may interact with local representatives of the government authority.

“*Effectiveness*” connects HR practices to talent pools. This anchor point encompasses the impact of HR practices on ability, attitudes and motivation, which are sub-elements of “Human Capacity” in Figure 1. However, it also articulates whether and how that capacity produces aligned actions that contribute to the effectiveness of the talent pool.

“*Efficiency*” links the resources expended to the resulting HR practices and I/O interventions. As noted above, many traditional HRM organizations concentrate primarily on efficiency, as when calculating the costs of expatriation, and the potential wasted resources when expatriates fail or leave the company soon after completing their assignment. Efficiency must be embedded within the context of *impact* and *effectiveness* to avoid misinterpretation.

### **Application of the HC BRidge Framework:**

#### **Lincoln Electric’s Harsh Lessons from International Expansion**

The value of the HC BRidge framework can be seen most readily in its application, so we will apply it to a recent Harvard Business Review case (Hastings, 1999) involving Lincoln Electric’s expensive, and nearly disastrous, attempts to expand into international markets, and the lessons learned by the CEO, Donald F. Hastings. Less than one hour after becoming CEO in 1992, Mr. Hastings was informed that massive losses in international operations would force the company to report its first consolidated negative net profit in its the 97-year history. As the case describes, these losses would worsen over the next two years, as the company struggled to correct the effects of poor past decisions.

There were many reasons behind the mistakes of Lincoln Electric, but we will argue here that the lack of a decision framework for talent was a key contributor. Examining the case through the lens of the HC BRidge framework reveals how such a decision framework might tangibly improve such strategic decisions. We will highlight several key features of the framework and the lessons they suggest for the case.

#### **Lesson #1: Avoid Using Non-Talent Decision Frameworks for Strategic Talent Decisions**

Organizational strategists routinely define strategic success, competitive advantage, and the business processes, structures and key resources necessary to achieve it (refer to the top two boxes in Figure 1), with very clear connections to financial, marketing and production resources. Yet, such strategies are often woefully disconnected and non-specific about people.

Lacking a talent decision framework, global leaders are left to rely on the decision models they have at their disposal, and such models generally reflect disciplines such as accounting, marketing, engineering or the law – often within only one national or cultural context.

We see this vividly in the case of Lincoln Electric. The company's international expansion was driven by classic accounting logic, based on their U.S. successes: "We believed that because we were so successful in the United States, we could be successful anywhere. In fact, when we examined the manufacturing operations of the foreign companies on our acquisition list, we saw tremendous opportunities to reduce costs by applying our manufacturing expertise, equipment, and incentive system." As is typical in many U.S. companies, the CEO, Mr. George E. "Ted" Willis, had widespread decision discretion and was largely unchallenged by a board of directors that was also U.S.-based, and comprised largely of current and former Lincoln Electric executives. Mr. Willis became Chairman and CEO with a well-developed decision framework based on his own historical career path -- manufacturing engineering:

Ted looked at the situation primarily from a manufacturing standpoint. He was a brilliant engineer and manufacturing executive. All four of my predecessors as Lincoln's chairman had engineering and manufacturing backgrounds, and all four were of the firm belief that if you had the lowest-cost, highest-quality manufacturing operation, you would automatically dominate the market (Hastings, 1999, p. 168).

The leaders at Lincoln Electric, and most other organizations, can hardly be blamed for their myopia about talent. They had simply not been presented with a framework for connecting talent with their organizational and strategic imperatives.

This has implications for several emerging issues in international HRM strategy and leadership. For example, a dominant position in large home-country markets can actually reduce organizations' ability to operate effectively in a global context (Dowling, et al. 1999, p. 11). A large home-country market can provide a formidable platform for initial growth, but it can also lead top managers to adopt decision rules and frameworks that reflect only that market

(Galbraith, 2000, p. 24). Similarly, it has been noted (Hanson, Dowling, Hitt, Ireland & Hoskisson, 2001, pp. 361-363) that in many non-U.S. organizations, the roles of Chairman and CEO are held by different individuals, while in the U.S. these roles are often held by the same person. Non-U.S. boards of directors are frequently more diverse, have more outsiders, and more likely to challenge the CEO. Bebchuk, Fried and Walker (2002) compared the remuneration arrangements between U.S. and non-U.S. companies, noting that U.S. CEO's are paid considerably more than their non-U.S. counterparts. However, the U.S. versus non-U.S. pay difference is much smaller for lower-level managers. They suggested that non-U.S. CEOs might have less power, because their firms often have more concentrated and powerful shareowners.

How might we study the effects of these differences on global leaders? We propose using the pattern of decisions, and the cognitive frameworks that support them. Particularly with respect to global talent, where decision frameworks are more embryonic, we would expect that future research might benefit from encouraging key decision makers to better articulate their internal decision frameworks, perhaps using a model like Figure 1.

## **Lesson #2: Use Business Processes and Value Chains to Make Strategy Explicit**

The second element of the HC BRidge framework (Figure 1) is "Business Processes and Structures." These are the transformation processes that comprise the ways that an organization creates value and organization design elements such as divisions, teams and networks (Porter, 1985, 1996). For example, a generic value-chain of such processes might include procurement, manufacturing, packaging, sales, distribution and service, supported by processes such as information systems, legal and HR.

Business processes have been used to identify the impact of knowledge in global firms (Boudreau, in press). Global value chains or "commodity chains" are also used as an organizing framework for understanding multinational and global strategies and industrial relations in a variety of industries (Frenkel, 2001; Gereffi, 1994, 1999, 2001; Gereffi & Korzeniewicz, 1994;



Wilkinson, 2001). Such a perspective provides a potent alternative to concentrating merely on countries or products. For example, it is possible to analyze the global effects of shifts from producer-driven chains to buyer-driven chains, with an associated change in the processes that make the most difference in strategic advantage.

Moreover, value chains integrate the *external* perspective on strategic advantage – assessing industry and competitor factors where competitive advantage can be created, with the *internal* perspective – a “resource based” view that identifies the organization resources from which competitive advantage can be created. For example, Porter (1986) noted the importance of industry differences in determining the appropriate pattern and structure of coordination, control and delegation. He distinguished between *multi-domestic* industries and *global* industries. Firms in *multi-domestic* industries may pursue a combination of relatively separate domestic strategies, because competition in each country is independent from others. Conversely, in *global* industries, strategies require greater coordination because the competitive position in one country significantly affects the competitive position in others.

What are the implications for talent decisions? Value chain processes provide the analytical detail or granularity to identify possibilities that enterprise-level strategies often obscure. For example, must all talent areas be coordinated in a global enterprise, while none need coordination in multi-domestic firms? At the enterprise level, such questions are virtually unsolvable, but they become much more tractable when we focus on processes.

Consider the retail household consumer goods industry, epitomized by Wal-Mart. Traditionally, this was a classic example of a multi-domestic industry in which country or region-specific competencies, HRM policies and talent decisions supported localized competitive strategies. In some processes in the value-chain, such as advertising, this still holds true. However, Wal-Mart revolutionized the industry by recognizing the cost-cutting potential of sophisticated logistics and inventory systems, integrated with databases to track and predict customers’ buying behaviors. Thus, in the supply-chain and logistics processes of the value-

chain, Wal-Mart creates global competitive advantage by integrating *across* regions and countries. Coordinated global talent and globally sophisticated leadership are far more critical in these areas than in processes that are more local, such as advertising. The petrochemical industry is similar, as globally integrated production and refining processes of the value chain support retail processes that are multi-domestic.

Leaders must appreciate these distinctions, and effectively translate them into decisions about talent. Boudreau and Ramstad (1997, 2002, in press, a) showed that improving business processes that represent constraints or bottlenecks, would most enhance the entire value chain. It is at these important bottlenecks that talent is most likely to have its greatest strategic effect.

The case of Lincoln Electric vividly shows value of explicitly connecting talent decisions to business processes and value chains. We noted earlier the former CEO's tendency to make decisions based on a manufacturing and engineering mind-set. As the new CEO noted (Hastings, 1999, p. 168):

Having a stellar manufacturing operation and a good product is a wonderful advantage. But if you don't have proper distribution, competitive delivery times, relationships in the marketplace, and people who can understand and help customers, you won't succeed.

The new CEO realized that global competitive advantage was limited in many non-manufacturing areas of Lincoln Electric's value chain, often revealing untested assumptions that prevented achieving competitive advantage. For example (Hastings, 1999, p. 174),

Traditionally, exhibitors had used the eight-day [trade] show [in Essen Germany] as a venue for entertaining customers ... not for making sales. ... I saw the show as a sales opportunity. ... We flew over three planeloads of our products from the United States and set an objective of selling 1,200 packages of semiautomatic welding equipment. We sold 1,762. By testing the conventional wisdom, we discovered that excellent American-made products *would* sell in Germany.

The importance of understanding bottlenecks, and emphasizing talent and leadership at those bottlenecks, is revealed in Hastings' comment. "We started asking the veterans in the bottleneck areas to work the holidays and postpone their vacations" (p. 174). Thus, the new CEO instinctively analyzed global operations in terms of value chains, key processes and bottlenecks. In retrospect, this may seem quite obvious, but the tendency to overlook it is illustrated by the failure of Lincoln Electric's former CEO to do so, and by the typical blind spots that result from decision makers' habitual use of decision frameworks based on a home-country market or a particular functional discipline.

### **Lesson #3: Talent Pools are a Key Connecting Point Between Strategy and HRM**

Figure 1 shows that "Talent Pools" are a significant connection point between the elements of strategy (Strategic Success and Business Processes and Structures) and the elements of more traditional HRM (Aligned Actions, Human Capacity, HRM Policies and Practices and HRM investments). It is not unusual for HRM decision-makers to devise elaborate plans for HRM activities, and to judge their effectiveness through changes in human capacity and behaviors. However, such approaches often fail to ensure that the talent pools targeted by these programs are actually the most critical talent areas for strategic success. Traditional HRM asks the question, "Are our programs having an effect on the talent they target?" Decision-based HRM would ask, "Are our investments aimed at the talent areas that are most critical to the strategic success of the organization?" This question should be asked *before* designing organizations or implementing HRM practices, rather than the typical approach, where talent pool impact is addressed only as part of HRM evaluation, *after* a practice is already in place (Boudreau & Ramstad, in press, a; 2002). We will return to this point, as it has significant implications for leadership development.

In the HC BRidge framework, talent pools are defined by their impact on business processes and resources, rather than by their administrative job titles. Talent pools frequently represent combinations of elements of several jobs, which can help leaders avoid the limits of

more-typical job-based approaches to global HRM (Engle, et al., 2001). At Lincoln Electric, the original rationale for global expansion was to cut costs in non-U.S. manufacturing operations, and the perceived need to manufacture in other countries in order to sell there. Yet, upon further analysis, it became apparent that the availability of manufacturing capacity in other countries was not a prerequisite to foreign sales, and that U.S. manufacturing capacity was not the limiting value-chain process. Rather, the key limits were in sales and capital-acquisition. This had immense implications regarding what talent pools were actually most pivotal to future strategic success.

At Lincoln Electric, the capital-acquisition constraint was translated into talent this way: “In October we brought in Orin Shaeffer ... who had international financial experience, worked with J.P. Morgan to put together a ten-bank consortium ...” (p. 173). The constraint on U.S. sales was solved by turning to a different talent pool: “We then brought in our 35 district sales managers. We told them we expected them to come up with ideas and promotions that would sell the products we were gearing up to make. (p. 173)”

The principle that pivotal talent pools are defined more by their effect on key processes than by job titles is illustrated by the impact of public relations on strategic success at Lincoln Electric (p. 177):

Dick Sabo, director of public relations, parlayed this interest into a series of television specials, including a favorable *60 Minutes* segment. Such recognition introduced Lincoln’s products to the general public and helped raise the top line.

Finally, the value of strategic insights from regular employees, in talent pools beyond the traditional focus on “strategic planners” or “leadership” jobs is illustrated here (p. 178): “We had ignored the loud and widespread expressions of concern from employees who saw our foreign expansion as a highly risky adventure. We had been naïve to think that Lincoln could become a global company with Lincoln’s limited management resources.”

The lessons of Lincoln Electric show the effectiveness of a leader who instinctively made decisions that identified pivotal talent through its connection to key business processes. The critical question for international HRM is how to reliably and consistently instill such decision rigor *throughout* organizations. True advances in global HR strategy cannot be left to the random possibility that a few organizational leaders will make these linkages by instinct. As the Lincoln Electric example shows, traditional career paths, dominant decision models such as finance and accounting, and existing strategic planning and HRM systems present formidable barriers to developing leaders capable of making these connections. Global HRM leaders must strive to develop, communicate and use a more robust decision framework that explicitly links talent to strategic success, if we hope to analyze, understand and enhance the “mind matrix” (Bartlett & Ghoshal, 1993; Engle, et al., 2001; Jones, 1998) that underlies key strategic decisions.

Day (2001, pp. 563-564) distinguishes *leader* development, which builds human capital in the form of individual-level skills and behaviors; versus *leadership* development, which builds social capital that creates a collective organizational capacity to engage in leadership roles. Enhancing the logic about how talent connects to global strategy can contribute to both leader and leadership development, but may have its greatest effect on leadership, because social capital and collective capacity are particularly enhanced through common language and logic. If the organization does not proactively develop and communicate a talent-strategy logic, the collective need for it may cause faulty and conflicting logics to emerge.

#### **Lesson #4: The Decision Framework Is Also the Communications Framework**

It has long been noted that HRM can contribute to successful globalization through communications that encourage globally-aware decisions. Such communications must clearly and tangibly demonstrate how individuals and groups collectively contribute to global competitive advantage. The same frameworks that bridge talent and strategic success not only provide useful tools for enhancing key decisions, they also provide the basis for understanding

and enhancing *communication about* those decisions. Global competition involves greater change and complexity, making consistent and integrated communication about talent decisions even more essential. A more articulate point of view about how talent contributes to organizational success will enable future researchers and practitioners to more effectively communicate the logic of their decisions, and increase employee capability, opportunity and motivation (the elements of “Human Capacity” in Figure 1).

Again, the Lincoln Electric example illustrates the power of this connection: Rumors had created anxiety and fear on the factory floor. We needed to give people an accurate picture of the company’s problems and let them know that we had a plan to fight back. ... Our executives explained the company’s situation and the action plan in small meetings with front-line employees. ... We made a video and gave people copies to take home to watch with their families. (Hastings, 1999, p. 173).

Traditional leader development focuses on competencies such communication, change catalyst and building bonds (Corace, 2001; Day, 2001; Hollenbeck, 2001; McCauley, Moxley, & Van Velsor, 1998). Leaders must undoubtedly understand how to communicate and build commitment, but it is equally important to understand *what* to communicate, and to communicate *why*. Thus, the frameworks used to make talent decisions should be logical and clear enough to communicate those decisions to the larger organization.

#### **Lesson #5: HRM Functional Effectiveness and Efficiency Must Arise from a Strategic Talent Connection**

Everyone agrees that HRM practices must integrate with and support the organization’s global strategy. This presumes a rich and detailed logic linking HRM policies and practices with strategic outcomes, yet such a logic remains largely elusive. Lacking such logic, global HRM professionals often find themselves exporting home-country practices, hoping that they will be successful, or modifying practices in response to local pressures that may or may not reflect key

strategic variables. Typically, global HRM decisions attempt to maximize “Effectiveness” and “Efficiency” exclusively, with far less attention on “Impact” (refer to Figure 1).

Dowling, et al. (1999, p. 12) noted that the “emic-etic distinction” has been a fundamental dilemma in global strategy and HRM for decades (e.g., Berry, 1980; Teagarden & von Glinow, 1997), with *emic* describing culture-specific elements and *etic* describing culture-common elements. The distinction remains important today, where significant debate continues over questions such as whether selection systems, compensation systems, training or labor relations should be consistently applied globally or modified in response to specific requests or pressures with regions or countries. We believe that many of these debates may be unsolvable when framed in this manner, but solutions are often revealed at a more granular or detailed level, by carefully examining what HRM investments will enhance the key talent pools, which in turn support the most constrained business processes, that are key to country-specific and global strategic advantage.

Lincoln Electric’s success in the U.S. was built on their incentive pay system, which constituted over 50 percent of U.S. employees’ annual incomes. The initial logic for global expansion was in part to acquire and streamline European manufacturing plants, whose costs were higher than Lincoln’s U.S. plants. A talent-based decision framework would have revealed the importance of the incentive system to this strategic goal. However, the applicability of the incentive system was never even tested. Indeed, over a year after acquiring German manufacturing facilities, the incentive system had not even been implemented. The new CEO concluded that cultural and labor-market differences between the U.S. and Germany were too great to allow the incentives to work effectively, and the acquired German plants were later sold. A better approach would be first to determine which talent pools were most pivotal, in which regions or countries, and in what key processes. Then, armed with that knowledge, identify *in advance* the promising combinations of talent, culture and business processes where the incentive system might have a high payoff, and where it would not. Simply looking at U.S

versus Europe cost structures applied a cost accounting model to a talent decision, with characteristically poor results.

The Lincoln Electric example is all too familiar. Most organizations suffer from global strategies and decision models that do not connect to talent. This can produce ethnocentric perspectives that are particularly dysfunctional, because talent, even more than capital, machinery and other resources, reflects important culture-specific differences. Is this simply the inevitable result of poor leadership and strategic planning? We believe the answer is not that simple. Even the best leaders and strategists lack a consistent decision science, providing a language and point of view that connects their global strategic aspirations to tangible decisions about talent and HRM practices. Is it any wonder that they use traditional, if myopic, decision frameworks for talent decisions?

### **A Process-Focused Framework for Talent**

The Lincoln Electric example illustrates the value of a framework like HC BRidge in Figure 1 that explicates the connections between HRM, talent and strategic success. In a global environment, this a good foundation, but it becomes even more useful when this connection logic is embedded within the critical dimensions on which global organizations must achieve balance and coordination. We now extend the framework to combine the talent-process connections of Figure 1 with key global dimensions of Culture and Product.

### **Beyond Job-Based HRM Systems**

Increasingly, achieving strategic success through talent will require balancing an in-depth local understanding with the orchestration of global capabilities and resources (Ghoshal and Bartlett, 1997), moving beyond traditional HRM tools that emphasize organizational design, job descriptions and the global application of “best” human resource practices. For example, Engle, et al. (2001, p. 346) stated,

Multinational strategies employ organizational design and structure as the primary control devices to implement the strategy, and advocate the use of job-



based IHR practices to support structural controls. In transnational strategies, however, these roles are reversed and personal competency-based IHR processes and practices become the dominant control devices in support of a more nimble 'mind matrix,' while jobs and structure act in secondary support roles (Adler & Ghadar, 1992; Bartlett and Ghoshal, 1993; Engle and Stedham, 1998).

Global HRM strategy researchers have long argued for a focus on competencies rather than jobs, and a focus on process rather than structure (e.g., Ghoshal and Bartlett, 1997). Hofmeister and Parker (this volume) also state that "structure is a much-ballyhooed solution to organization management that has as much destructive as constructive value." So, we must move beyond traditional job-based HRM systems, but to what alternative? As Figure 1 suggests, the Talent-Process connection offers intriguing possibilities.

### **The Value-Chain, Culture and Product (VCCP) Matrix**

Global organization structure and strategy is customarily conceived along three dimensions. Galbraith (2000) discussed business, geography and function. Hollenbeck (2001, p. 18) noted the pervasive "triple matrix," and how difficult it is to understand let alone manage within. Engle, et al. (2001) proposed a three-plane cube defining several transnational competencies: *Function*, where breadth is how many functional areas one's performance must span, and depth is how much detail within any function one must master; *Culture*, where breadth is how much one must span cultures different from their own and depth is in how much detail one must work within the new culture; and *Product*, where breadth is the number of products one's performance must span and depth is the level of detail within any one product one must master. We will use these dimensions as a departure point, to illustrate how the elements in Figure 1, particularly the Impact elements, might be enhanced to contribute toward a global decision framework for talent.

### **"Function" is Defined by the Value Chain**

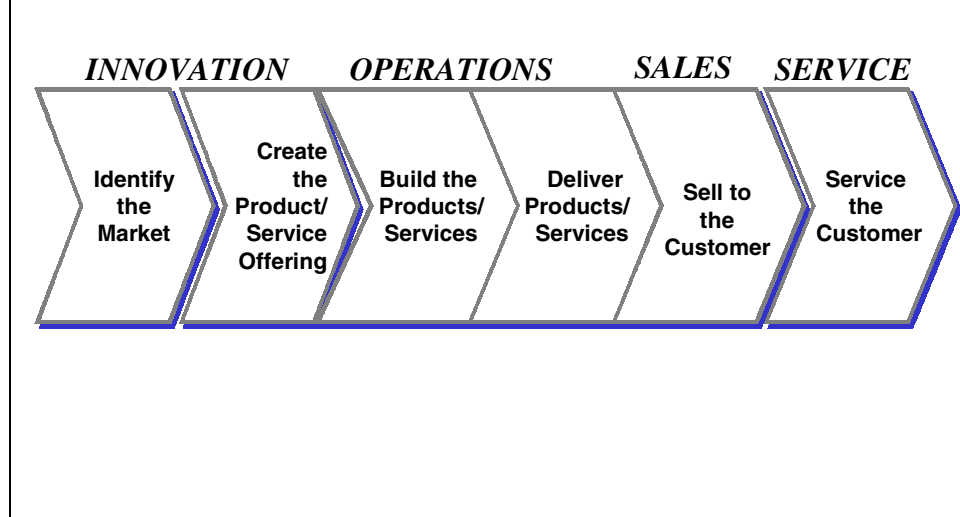
The "function" concept, or the "traditional arrangement of work design ... for example ... accounting, marketing, finance and production ..." (Engle, et al., 2001, p. 349) is captured in the

concept of value-chains and business processes introduced earlier. Thus, in our framework, functions such as marketing, production and finance and R&D are conceived as elements of the organizational value-chain, as either direct transformations or support processes, all of which combine to create sustainable competitive advantage. This has the advantage of recognizing the interrelationships between such processes, as well as the advantage of providing the flexibility to consider individual processes at more refined levels of detail.

For example, “production” may include sub-processes such as total quality, mass customization, and flexible manufacturing. Galbraith (2000) also relied on a process logic to describe global organizing strategies. He discussed methods of internationalization (export, joint venture, foreign operation, etc.) in terms of the *processes* that are exported or localized (e.g., distribution, production, product development, etc.). Galbraith also noted that one task of a geographic division is to “localize the success formula” of the parent company (p. 73), or to build international organizational capabilities such as product design (p. 76). We would suggest that success formulas and capabilities like product design are often best understood as processes within the value chain. Hofmeister and Parker (this volume) noted, “Critical organization processes include governance, financial management, talent and organization management, order to customer delivery, supply management, strategy and business planning, operations support, and technology and research” and warn that, “too often in the name of speed, spontaneity or tactical decision, process management is ignored in the interests of immediacy.”

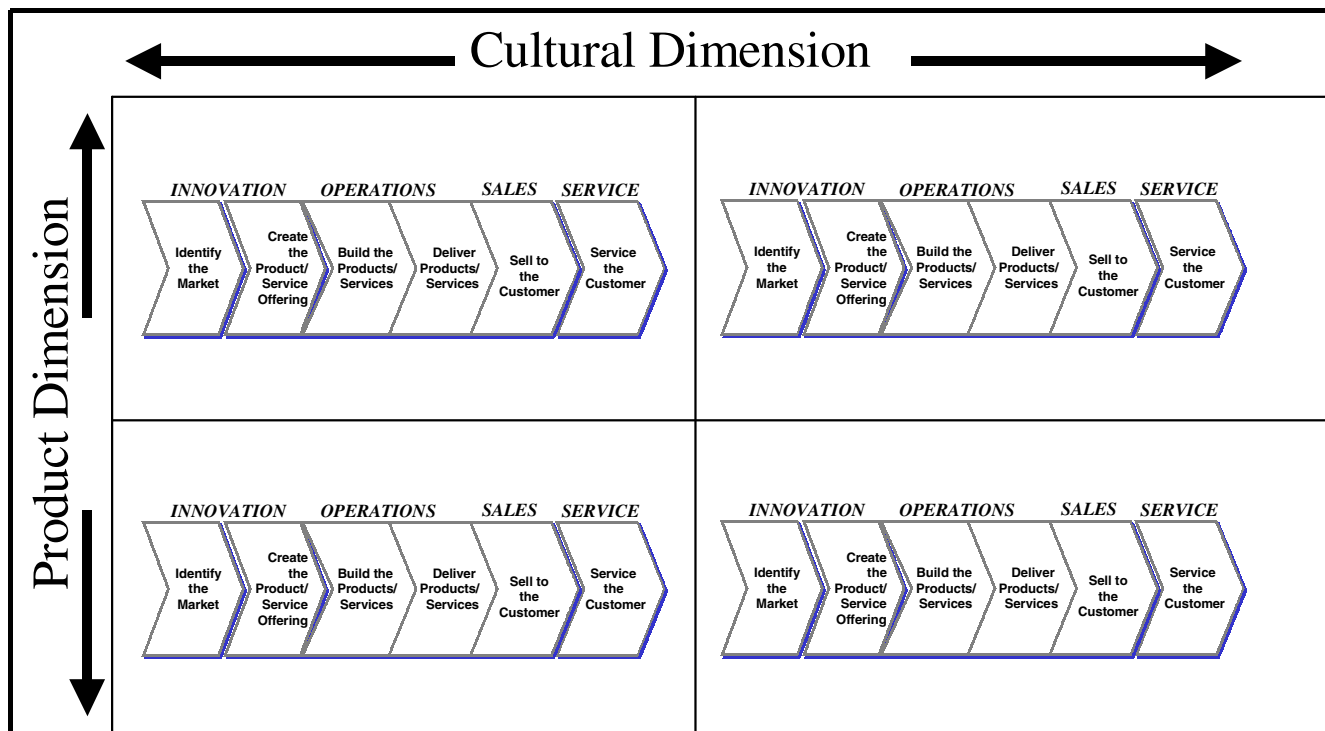
Figure 2 depicts a generic value chain, containing transformational processes that include Innovation, Operations, Sales and Service. Similar value chains were used by Kaplan and Norton (1996) and Porter (1996). Porter notes that the transformation processes shown in Figure 2 are often accompanied by support processes such as human resources, information technology, finance, etc. For our purposes, the simpler value chain diagram will suffice, but the framework can be extended to add support processes.

Figure 2  
Generic Value Chain



Next, we embed the value-chain concept within the dimensions of Product and Culture, as shown in Figure 3. Global enterprises may have multiple *Product* categories or dimensions, and any one or combination of these product elements may be produced, sold or otherwise affected by any of multiple *Culture* categories or dimensions. Thus, each cell of the matrix shown in Figure 3 represents the intersection or combination of one Culture category or dimension and one Product category or dimension. Within each cell is a value-chain of processes. The concepts of Product and Culture continue to be defined, but acknowledging their combinations and integration with the value chain provides insights.

# Figure 3 Process-Focused Global Strategy Model



### **The “Product” Dimension**

The Product axis in Figure 3 might reflect specific brands, product lines, customer segments, or product/service categories (e.g., consumer goods, services, wholesale/retail, etc.). It might also reflect product/service features (such as speed, or quality), particularly features such as customization that significantly define global competitive success, or that are particularly challenging to coordinate globally.

Galbraith (2000, pp. 20-23) suggested that the diversity of the business portfolio on the Product dimension might be defined not only in terms of the number of products, but in terms of the number of business logics. Nestle has many products that fall under a related business logic, while GE has several business logics. GE Power generation, motors, locomotives, jet engines and medical electronics are one logic, sharing commercial customers, significant after-sale service, similar technology and R&D. Other GE businesses such as NBC broadcasting and GE Capital have quite different business logics.

Proctor & Gamble’s (P&G) sales strategy (The Economist, May 11, 2002) provides a creative way to define categories in the Product dimension. P&G noted that some products are used “in similar ways all over the world – as with a shampoo,” but with other products, such as laundry detergents, there is more variance in local habits. Thus, the categories, “variable versus similar local usage habits” define a key Product dimension. For products in the “similar usage” category it makes sense to invest decisions about production and sales *processes* in a global unit, while more local decision-making about these processes makes sense for products in the “variable local usage” category.

### **The “Culture” Dimension**

The Culture axis in Figure 3 could obviously reflect categories based on nations or regions. As Bhagat and McQuaid (1982) noted, however, *nation* is not synonymous with culture. There may be several cultures (norms, values, languages, etc.) within a given region or country, that can prove strategically important. For example, Hofstede (1991) suggested that individuals

in Nordic countries express strong “feminine values” (preferences for harmonious relationships, avoiding open conflict, and emphasizing negotiation and compromise) more than in Germany or Italy, with obvious implications for negotiation processes.

P&G’s strategy also provides an excellent example of defining the Culture dimension more advantageously than simple through country boundaries. P&G found that entry into low-income markets was much tougher than in high-income markets. Thus, low-income markets require local managers with more authority over the *processes* of marketing, sourcing and distribution. Such processes can be more uniform and centralized across high-income markets. In terms of Figure 3, the Culture dimension is defined by the categories, “high-income versus low income.” The high- versus low-income distinction might combine countries, or single countries might contain both high and low-income markets. Galbraith (2000, p. 192) observes that geography may define appropriate Culture dimension categories for logistics processes, but not for many others.

### **Additional Potential Dimensions**

Galbraith (2000, chapters 11-13) proposed augmenting the customary three-dimension matrix (culture, function and product) to reflect two new dimensions: Common Customer, and Solutions. “Common Customer” reflects customers whose interests span multiple geographies. “Solutions” represents particular product or service configurations, such as a power-generation or waste-treatment in ABB, or a bank trading room in a bank for Hewlett-Packard (p. 194-195). There is clearly value in these two additional dimensions. However, the commonality of customer needs across geographies might also be incorporated in the Culture dimension, and product functionality elements in Solutions may be reflected in the Product dimension of the VCCP matrix in Figure 3. Our thesis does not require resolving these issues, for both the traditional three-dimensional or Galbraith’s five-dimensional framework illustrate the value of embedding value-chain processes within each framework. We acknowledge the value of Galbraith’s additional dimensions, while developing our examples using the VCCP.

### Using the VCCP Matrix to Uncover New Answers to Old Questions

The VCCP matrix may assist organizations to identify more precisely where processes can be shared versus distinguished across Culture and Product categories. We have found that HRM and non-HRM leaders are frequently frustrated by questions such as, “Should the sales force be under the country managers or under the corporate center?” and “Should the country manager or the corporate product manager have authority over product portfolios in particular countries?” Such questions often fall to HRM leaders precisely *because* they cannot be solved using the traditional business frameworks (e.g., finance, production, marketing), and often involve delicate human relationships among highly powerful organizational leaders. Thus, paradoxically, some of the greatest opportunities for HR leadership to contribute offer greatest challenge to existing decision frameworks.

Framed solely at this level of analysis, such questions are virtually unsolvable, causing organization leaders frequently to resort to politics and opinion. This is regrettable because such questions have immense implications for strategic advantage. However, using the framework of Figure 3, we find that the granularity, or logical detail, afforded by the VCCP analysis reveals both common and unique *process-based* questions, identifies whether process constraints are a function of culture or product, and often makes it possible to find new win-win solutions that were not initially apparent. Embedding processes within the Product and Culture dimensions may also clarify leadership development challenges. Hollenbeck (2001, p. 39) noted the qualitative difference between the balance of cognitive and emotional attributes required to manage across Products versus Cultures.

### Linking the HC BRidge Framework and the VCCP Matrix

In Figure 1 the “Impact” element of the HC BRidge framework identifies where talent pools connect to strategy, through processes. In Figure 3 the VCCP matrix embeds process analysis within Culture and Product dimensions. Together, “Impact” and the VCCP matrix identify the talent pools that most affect the key constraints, and whether those talent pools

have their effects *across* Cultures and Products, or *uniquely within* specific culture and product combinations. Having integrated the talent pools into a global framework, the “Effectiveness” and “Efficiency” elements of HC BRidge in Figure 1 can build on the Talent Pool analysis to identify the Aligned Actions, Human Capacities, HR Practices and HR Investments that enhance “Effectiveness,” with appropriate investments, based on “Efficiency.”

Galbraith (2000, Chapter 7) noted the importance of interpersonal relationships in achieving the “lateral coordination” that is vital to global strategic success. His diagnostic questions for human resources to identify and invest in these networks reflect the logic we suggest. Galbraith (p. 119) posed six questions: (1) What are the strategic dimensions – countries, products, customers – and their priority? (2) What are the management processes associated with these dimensions? (3) What are the key interfaces in the organizational units or subsidiaries? (4) Who are the people at these key interfaces? (5) How can we build relationships between these people? (6) How do we grow and develop people who will perform well at these interfaces? Notice how the questions proceed from strategic success, through business processes, talent pools and roles, aligned actions (in this case “relationships”) and then the development of human capacity to support them, just as in Figure 1. This logic is useful beyond the process of lateral coordination and network building. It applies to virtually all of the strategic advantages and business processes in the global organization.

### **Applying the VCCP Matrix: Are Country Managers “Barons” or “Hoteliers?”**

The Economist (May 11, 2002, pp. 55-56) recently noted the increasingly important dilemma facing global organizations,

One of the juiciest jobs in many multinationals was that of the country manager. Even relatively young companies had these local grandees. In the mid-1990’s, however, many companies cut these barons down to size. There are many ways to rebuild the country manager’s role. The main thing is to define the scope of the job clearly.



Prior to the 1990's, global structures resembled many small regional companies, each with profit-and-loss responsibility, under one single global name. Country managers were like "barons." In the 1990's companies like Proctor & Gamble, Dow Chemical and Oracle consolidated strategic questions about brands, investment and market development within global divisions. Country managers became like "hoteliers," responsible for providing a favorable environment in their country for the divisional brands managed centrally. Some advantages were obvious, such as providing global customers with one contact point, rather than forcing them to negotiate separate contracts in each country where they did business. This also created dilemmas, such as the loss of global flexibility, the inability to attract top talent to global manager positions, etc. As we saw earlier, such dilemmas are very intractable when defined at this level.

The Economist article describes how leading companies are finding solutions, which we suggest reflect a focus on processes. Visa credit company centralized in California the responsibility for brand, risk and interoperability processes, leaving everything else within the regions. Dow Chemical established local authority in eastern Germany for decisions about the processes of regulatory matters and relationships with government officials, because eastern German plants required significantly greater investment and government aid. In terms of Figure 3, identifying the critical processes of government relationships and local capital acquisition defined the global-local decision in a more tractable way.

Connecting this insight with the HC BRidge model of Figure 1 provides insights for the development of German region leaders. Their pivotal role is their relationships with local authorities and governments, so their development should reflect that. Galbraith (2000, p. 98) notes a similar pattern for ABB, where "a strong country manager capable of making decisions and getting access to the appropriate ministries was a necessity." Thus, rather than asking, "should manufacturing plant decisions be owned by the region or the corporate center?" our framework suggests that the key *process* of government relations should determine regional

leader qualifications, while other processes may be different. The question of whether a country manager is a Baron or a Hotelier is unsolvable, but the key *processes* require country-specific leadership and which ones benefit from central consistency is more tractable. Moreover, answering the second question provides a much more tangible link to talent implications using Figure 1.

### **Applying the VCCP Matrix: Should Customer Service be Regional or Central?**

One of the authors had a discussion with the European leader of a technology product organization that was rapidly expanding its design and service processes. The leader needed to get country managers and corporate leaders to articulate their concerns in terms of win-win solutions. Each group instinctively defined the issues at a level that produced intractable positions. For example, country managers insisted that they needed their own dedicated customer service work force. How else could they guarantee suitable service to their key local customers? Corporate leaders, on the other hand, noted the worldwide shortage of talented high-level service representatives familiar with the organization's technology. Any single country might have only one or two such representatives, and assigning them exclusively to regions meant they often spent their time on menial service issues while in other regions high-level service needs went unmet. As one corporate leader put it "Why should we have expert technicians explaining to German customers how to plug in the machine, while at the same time we have customers in South Africa with very sophisticated problems, who can't contact a technician to help them?"

The Culture dimension of the VCCP matrix suggested that the crucial issue was not so much about countries or regions, but rather about the how service *process* varied with economic development. "High-end service needs" were characteristic of economies with advanced telecommunications and computer infrastructures, which spanned regional boundaries. Virtually all of these high-end service needs were addressable using the English language (in fact, many of them required facility in programming languages, which clearly spanned regions),

and these service needs were also quite similar across regions. In contrast, “low-end” service requirements tended to be much more region-specific, and often involved interacting with a client’s technicians who could work only in their local language and who needed significant coaching. By distinguishing high-end service *processes* and associated talent pools from low-end service *processes* and talent pools, it became clear that a solution depended more on defining Culture in terms of the sophistication of the infrastructure than traditional regions. Seen this way, it was possible to envision a service process structure that was both local and global.

### **A Comprehensive Example:**

#### **Applying the VCCP and HC BRidge Framework to a Multinational Technical Organization**

The examples described above illustrate isolated elements of our framework, but it is useful to trace it comprehensively. We do that in this section. We are indebted to the global HRM leaders with whom we have consulted and who have participated in our executive development programs over the years, for their insights and suggestions in developing our framework. One such executive presented an the following actual case which will disguise by using a fictitious name, GlobSys.

#### **GlobSys Background**

Globsys is a multinational company with one primary product line, a set of technically sophisticated printing devices, sold to companies with high-level printing requirements. The product relied on proprietary R&D and manufacturing, which had originally been developed in Europe, by a small group of entrepreneurs. They designed the first prototype with very few resources, had obtained patents on components, software and manufacturing processes, and had enjoyed success marketing to a relatively small number of customers in their home country. They were justifiably proud of their innovation and its ability to compete effectively against products from massively-larger companies. Soon after their initial success, they were approached by a large North American company with an established record of customer

relationships and strong sales in North America, but that lacked state-of-the-art printing products. The North American company offered to merge with the European start-up, in what seemed a very logical match between the innovation and product advantages of the start-up and the sales and marketing of the North American company. Because North America was a vastly larger market than the entrepreneurs' home countries, the prospect of enhanced revenues and profits was attractive, and the two organizations merged.

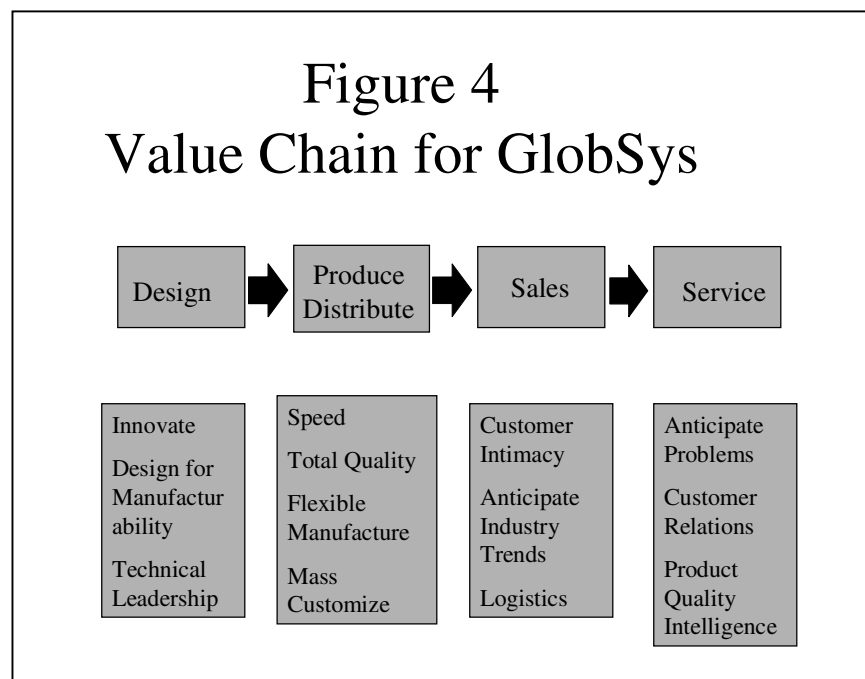
When the case was presented to us, the merger was more than a year old, and the HRM leader observed that many of these synergies had never materialized, and the new organization was plagued with product failures and customer complaints. The North American sales force reported that their customers found the products too complicated and prone to failure. The European design and manufacturing leaders complained that the North American sales force was too unsophisticated to properly educate and support customers using the state-of-the-art system.

Corporate leaders had considered several initiatives to remedy the situation. First, they considered this a problem of "culture." Europeans and North Americans didn't share a common cultural background and global mind-set. Programs were devised to educate both groups in the importance of cultural diversity and sensitivity, to little avail. Next, they surmised that a different kind of "cultural divide" was the culprit, noting that all of the European leaders were engineers, and none of the sales force was engineers. Thus, the sales force was provided with intensive training on the engineering and design logic of the systems, and the nuances of the complex software required to run them. Again, there was little change in sales or attitudes among the two groups. The sales force pointed out that customers were already familiar with the use of the systems, but that the Europeans insisted on frequently introducing new design elements or software features, each one increasing the chance of a system failure. Thus, the problem was framed in terms of two highly-incompatible positions. The North Americans wanted to "fix" the design and manufacturing process, to ensure that product designs were sensitive to customer

requirements and limitations. The Europeans wanted to “fix” the sales and service processes, and to staff them with engineers who understood the nuances of the product. Both groups were smart and highly motivated to find a solution, but their dominant decision models – design engineering and sales – were simply not up to the task.

#### GlobSys VCCP Analysis

Figures 4 through 7 demonstrate how we applied VCCP analysis. First, we worked with the HR leader to develop the value chain diagram shown in Figure 4.



Because this company had one product line, there was only one row in the matrix. The company had two cultures, Europe versus North America, though it was observed that one might as easily label them “Design/Engineering” versus “Sales/Customer Relations,” illustrating our earlier observation that Culture categories may go beyond simple region or country distinctions. Thus, the value-chain diagram was embedded in a grid with one Product row and two Culture columns. Figure 5 illustrates the results of the constraint analysis, within the VCCP matrix, contrasting the perspectives of the two cultures. The central issue was really a disagreement about whether Design or Sales/Service was the constraining factor in the process value chain.

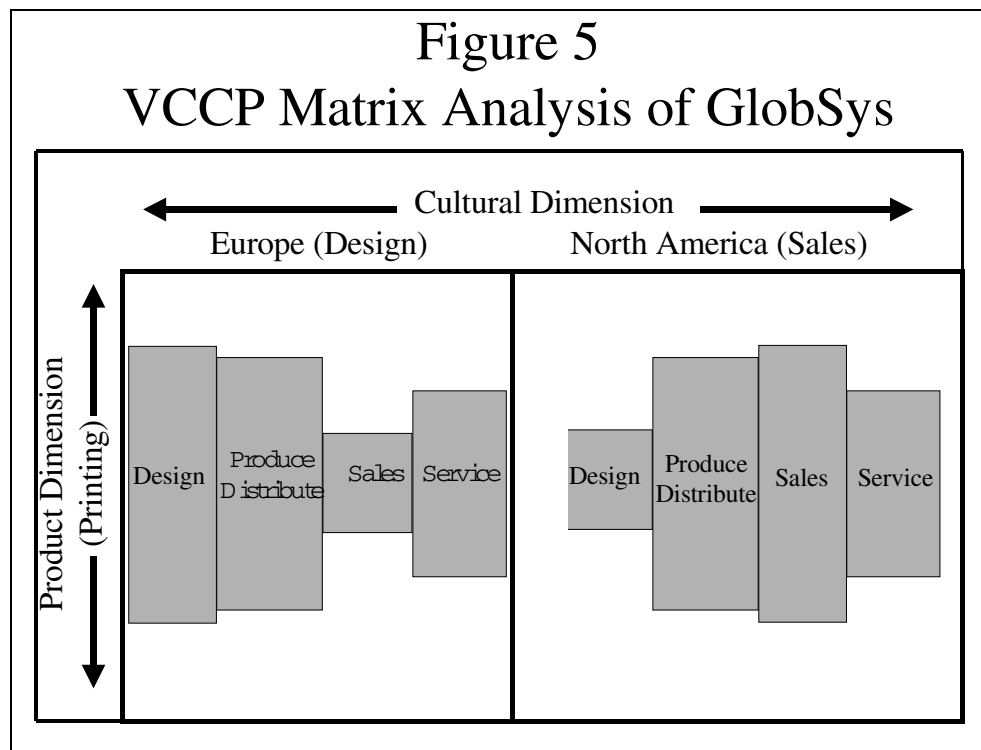
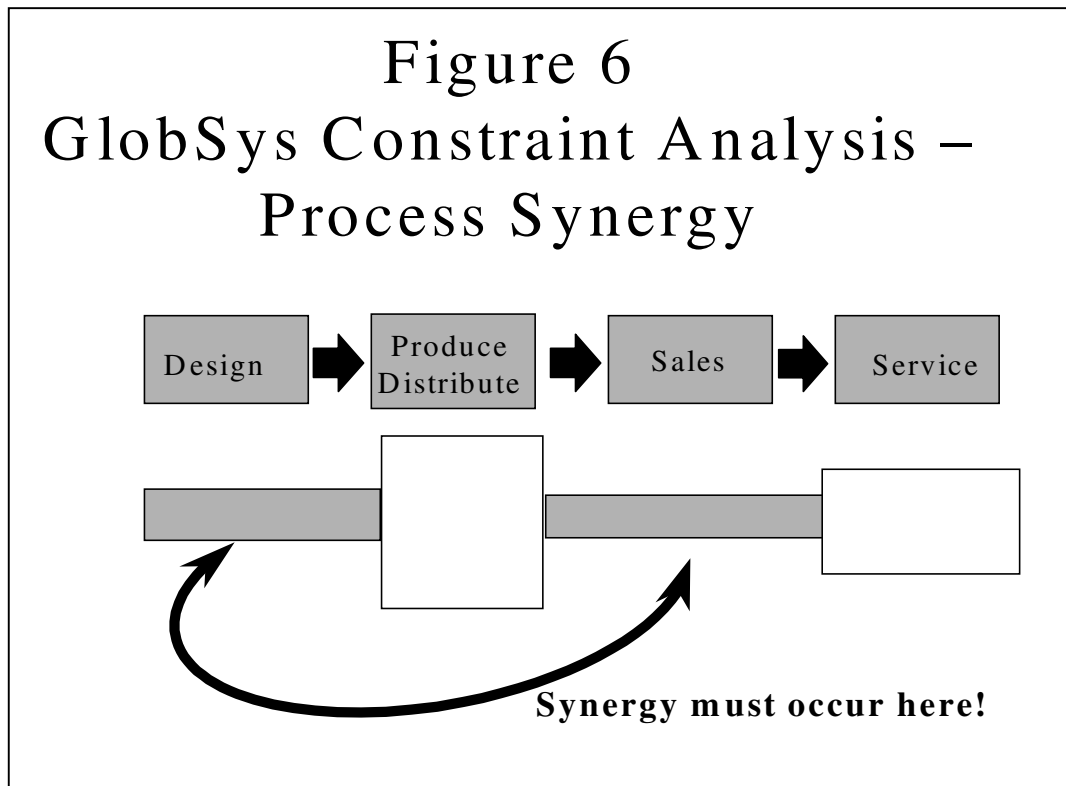


Figure 6 shows the conclusion of the analysis. In fact, both processes were key constraints, and the organization could ill afford the waste of human capital that would result in wholesale replacement of either group. The entire logic of the merger now was vividly seen to have rested on the assumption that these two groups would work well together. There was a need to create synergy between the design and sales processes. Hitt, Nixon, Hoskisson and Kochhar (1999) described a similar situation in which the lack of trust produced “overt resentment expressed by the technical team members, especially toward the marketing team members.” We would suggest that by using the Value Chain, Culture and Process matrix, it is possible to identify where trust has its greatest effect, and also to describe such thorny issues in objective terms that may encourage more rational discussion.

With this insight, it was possible to return to the HC BRidge framework in Figure 1 to identify the talent and HR implications.



### Using “Impact” to Identify Pivotal Talent at GlobSys

When the analysis was reframed in Figure 6, the key question became “Which talent pools most affect our ability to create synergy between our North American sales group and our European engineers?” The previous failure of the prior HR investments in these talent pools suggested that neither the Engineering nor the Sales talent pools had the human capacity to achieve this. However, another talent pool emerged. The organization employed another group of engineers, called “Pre-Sales Engineers.” Their traditional role had been to educate the sales force about the product. In this position, they were on good terms with the engineers, by virtue of their close association through learning about the product features. They were also on good terms with the sales force, which relied on them to help translate product designs into messages for the market.

The “job description” of the Pre-Sales Engineers revealed little of their strategic potential. It was written solely from the traditional perspective, and emphasized their performance in effectively understanding product features, conveying those features to the sales force, and

assisting with customer relations. Key competencies included engineering expertise, an ability to learn quickly, good communication skills, and the ability to understand customer needs. It had not occurred to either the organization's strategists nor to the HR leaders that this "job" might play a role in the complex problem of multicultural relationships.

Yet, as Figure 6 makes clear, this is precisely the talent pool that has the greatest potential impact on process synergies *between* the two groups. When seen through the lens of the VCCP analysis and the "Impact" elements of HC BRidge™, the "pivotal role" of Pre-Sales Engineers became apparent. They were the "diplomats" who could forge more productive relationships between the engineers and the sales force. In fact, this "diplomat" role was probably their most pivotal contribution, because the lack of such synergy was crucial constraint, limiting organizational success. This is a good example of the pervasiveness of leadership across all employees and organizational levels (Day, 2001, p. 586), which requires helping pivotal leadership talent (the pre-sales engineers in the GlobSys example) to "understand how to relate to others, coordinate their efforts, build commitments, and develop extended social networks."

### **Using "Effectiveness" to Identify the Strategic HRM Implications**

The insight about Sales Engineers as diplomats guided the analysis of "Effectiveness" using the HC BRidge framework in Figure 1. It led to a revision of the definition of the pivotal role of Pre-Sales Engineers and the associated human resource implications. Table 1 depicts the results. As the two right-hand columns show, the HRM implications for the Pre-Sales Engineers changed considerably based on this new strategic analysis. Moreover, the added programs and investments could be strategically justified using the VCCP analysis. Finally, and perhaps most importantly, the analysis provided a valuable basis for communication with Engineers, Salespeople, and the Pre-Sales Engineers, to convey the strategic imperative of their roles, and the logic of the organization's plan.



**TABLE 1**  
**HC BRidge™ Analysis of Pre-Sales Engineers at GlobSys**

HC BRidge Component	Traditional Definition	Globally Strategic Definition
Pivotal Role	Effectively learn new product design features and develop educational methods to convey those features to the sales force, so that they can be effectively communicated and used by customers.	Diplomatic relations with engineers and sales people, producing greater cooperation and understanding, leading to product designs that better reflect customer requirements and sales behaviors that better exploit unique product design features
Aligned Action	<ul style="list-style-type: none"> <li>• Quickly understand new product features</li> <li>• Design effective education processes</li> <li>• Deliver education to the sales force</li> </ul>	<ul style="list-style-type: none"> <li>• Serve as a neutral and trusted liaison between sales and design</li> <li>• Encourage cooperation and collaboration between engineers and sales people</li> <li>• Facilitate conflict resolution</li> </ul>
Human Capacity	<p><b>Capability</b></p> <ul style="list-style-type: none"> <li>• Know how to share new ideas</li> <li>• Multiple Language Capability</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>• Authority to convene educational events</li> <li>• Authority to assist sales and engineering managers to support training</li> </ul> <p><b>Motivation</b></p> <ul style="list-style-type: none"> <li>• Desire to educate</li> <li>• Passion for design innovations</li> <li>• Value team effort</li> </ul>	<p><b>Capability</b></p> <ul style="list-style-type: none"> <li>• Conflict resolution skills</li> <li>• Multiple Language Capability</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>• Included on design/sales teams</li> <li>• Freedom to stop selling and work with teams</li> </ul> <p><b>Motivation</b></p> <ul style="list-style-type: none"> <li>• Desire to educate</li> <li>• Desire to create a link</li> <li>• Belief that linkage efforts will be rewarded</li> <li>• Value team effort</li> </ul>
Human Resource Policies and Practices	<p><b>Rewards/Recognition</b></p> <ul style="list-style-type: none"> <li>• Pay for education events</li> <li>• Pay for skills</li> </ul> <p><b>Development</b></p> <ul style="list-style-type: none"> <li>• Train on education skills</li> <li>• Hands-on product experiences</li> </ul> <p><b>Staffing</b></p> <ul style="list-style-type: none"> <li>• Select for communication skills</li> </ul>	<p><b>Rewards/Recognition</b></p> <ul style="list-style-type: none"> <li>• Pay for delighted customers</li> <li>• Team-based rewards</li> </ul> <p><b>Development</b></p> <ul style="list-style-type: none"> <li>• Train on negotiation skills</li> <li>• Cross-cultural experiences</li> <li>• Global cultural integration</li> </ul> <p><b>Staffing</b></p> <ul style="list-style-type: none"> <li>• Select for “diplomacy”</li> </ul>
Human Resource Investments	<p><b>Rewards/Recognition</b></p> <ul style="list-style-type: none"> <li>• Enhance incentive pool</li> <li>• Appraisals reflect class evaluations</li> </ul> <p><b>Development</b></p> <ul style="list-style-type: none"> <li>• Spend on engineering skill training</li> <li>• Spend on sales skill training</li> </ul> <p><b>Staffing</b></p> <ul style="list-style-type: none"> <li>• Buy selection tests for engineering and sales proficiency</li> </ul>	<p><b>Rewards/Recognition</b></p> <ul style="list-style-type: none"> <li>• Enhance incentive pool</li> <li>• Information system to track delight</li> <li>• Appraisals to reflect group cohesiveness</li> </ul> <p><b>Development</b></p> <ul style="list-style-type: none"> <li>• Mentoring for cross-functional careers</li> </ul> <p><b>Staffing</b></p> <ul style="list-style-type: none"> <li>• Buy selection tests for Diplomacy</li> </ul>

### **Final Thoughts, Conclusions and Implications**

The importance of human capital for global strategic competitive advantage is well-recognized, not only by human resource management scholars and practitioners, but by virtually all leaders of global enterprises. Sophisticated strategic leadership frameworks now exist, and collectively they suggest several important trends.

First, the complexity of global organizations will not be served by relying on traditional HRM models that emphasize job-based systems, programs that merely follow best-practice, and an HRM role defined only in terms of services provided to key organizational clients. Global strategic advantage demands that today's HR professionals develop and implement Talentship, a decision science for talent, with the same depth, credibility and sophistication as decision sciences such as Finance and Marketing. Future organizations will rely more on informal networks, social relationships, trust and mind-matrices, than on organizational structures, job descriptions and HR processes. These networks and relationships will increasingly depend on a shared vision and philosophy about how talent creates competitive advantage, based on a deep understanding of the organization's global competitive advantage and the key *processes* and *roles* that contribute to it.

We have proposed that the effectiveness of such networks will depend on the quality of decisions, and in this case, the quality of decisions about talent, wherever they are made. This new decision science must provide a common language or point-of-view connecting talent to strategic advantage, just as Finance and Marketing provide for financial and customer resources. We have offered an initial framework, HC BRidge, to illustrate these connection points, and the Value-Chain, Culture and Product (VCCP) Matrix to embed them within a global strategy framework.

The implications of our framework are reflected in three general observations: (1) The need for greater depth, detail and sophistication in connecting talent to global sustainable strategic advantage; (2) Identifying pivotal talent pools should *precede* the development of HRM

practices and measurements, not follow it; and (3) Effectively understanding, measuring, comparing and enhancing the “mental models” that leaders use to make talent decisions will be increasingly important to organizational success.

### ***Both HR and Non-HR Leadership Development Must Include A Talent Decision Science***

The need for a decision science of talent is a fact, though it is not yet widely recognized. As organizations rely more heavily on informal structures, networks and shared vision to guide key strategic decisions, there will be an increasing need to articulate and share common perspectives regarding how talent contributes to strategic advantage. Thus, both researchers and practitioners will benefit from efforts to extend and enhance these connections. We must certainly move beyond the concept of a mysterious “black box” that exists between organizational performance and HRM practices, and instead embrace the challenge of defining and mapping all of the key bridging elements. The HC BRidge framework offers a starting point, which we hope will be enhanced and embellished through future work. Virtually all existing research that describes relationships between HRM practices and employee reactions or behaviors, or their association with financial outcomes, contributes to this task. The key is to integrate this wealth of knowledge more clearly and in context. We urge both researchers and practitioners to use the “bridge” metaphor to better identify the implications of their research for key talent decisions. As the Lincoln Electric example showed, tracing such connections can reveal new relevance in research on global organization design, compensation, staffing and communication.

This implies that both global leaders and leaders of the HR profession must be jointly accountable for building and using a shared and common language regarding talent. In our work with organizations, we find that this language is seldom successfully introduced by HR acting alone, nor by non-HR leaders acting alone. The best results occur when we engage both groups to adapt the HC BRidge model using their own strategic language, and then incorporate the results into *both* general leadership development and HR professional development. In this

way, organization leaders are prepared to become “informed collaborators” with their HR counterparts, and HR professional leaders are prepared to engage leaders in ways that connect their best analytical and logical insights about global competitiveness with talent.

Global business leaders should be expected to develop proficiency in the “talentship” decision science, just as they are expected to develop proficiency in the decision sciences of Finance and Marketing. HR leaders should be expected not only to apply, but to *teach* this shared language as they collaborate with employees and business leaders to enhance key talent decisions. HR leaders should do less persuading and selling of HR programs and more supporting and holding accountable the leaders who are the stewards of global talent. This is far different from many typical HR “partners,” who mainly design and implement HR programs and services, or help global leaders manage the administration of HR policies.

### **The Talent Decision Science Must Guide Global Talent Investments, Not Merely Evaluate HRM Programs**

Recognizing the talent decision science makes it not only possible, but essential, that the HRM profession shift from connecting talent to organizational outcomes merely to assess the effectiveness of HRM investments after the fact, and instead strive to create connections that can direct those investments to their greatest impact on strategic advantage *before* they are made. Today, HRM programs are typically undifferentiated, such as providing training in cultural diversity to everyone or surveying all employees on whether their supervisors and co-workers exhibit a global mindset. There are many taxonomies of global competencies (particularly competencies to adjust to new cultures), and corresponding organization and HRM practices designed to produce more global leadership (Hollenbeck, 2001; McCauley, et al., 1998), but the focus on broad competencies or experiences lacks differentiation. As organizations better identify their key processes, and rely more on networks of shared vision, they will increasingly demand that HRM investments be as rigorous and logical as their investments in production and marketing (Boudreau & Ramstad, in press, a).

Again, the implications for leadership development are significant. Leadership development investments should be targeted *in advance* toward those pivot points where changes will most affect strategic success. Development assignments to global task forces, expatriate roles, and functional responsibilities, as well as classroom and other leader development experiences, should focus more clearly on the strategic impact of leadership, reflected through value-chain processes. Effective global leadership is not one generic outcome, but likely varies with elements of the situation (e.g., Hollenbeck, 2001, p. 39). Leadership development frameworks commonly include steps such as acquiring, assessing, developing and transitioning talent (Corace, 2001, McCauley, et al., 1998). We suggest that a process-focused framework, integrated with HRM practices, can enhance the analytical rigor needed to differentiate and target these activities.

This process-based perspective can reveal new dimensions of development experiences themselves. Conger and Benjamin (1999, p. 255-256) noted that traditional development approaches built on exposing leaders to novel events, special action-learning experiences, or job rotations, either provide little variety, insufficient connection to work context or take too long. The solution requires that organizations must “define and bound each training experience more definitively,” “rely on new technologies [simulations and micro-worlds],” and “leverage the capabilities of strategic partners”. They suggested that new leadership development approaches will be “more customized, learner centered, and integrated with the organization’s immediate strategic agenda” (p. 149). This more definitive and precise approach requires significantly greater detail, which we believe will be provided by linking processes with Product and Culture, to identify the pivotal nature of leadership, and then constructing leadership development to focus on those pivot points.

For example, one of the authors recently worked with a large global organization that required all leaders to complete two overseas assignments before consideration for positions in the Senior Management Group. Yet, one female HR leader, newly promoted to the senior

group, noted that she had not completed two overseas assignments. Her work-family priorities required that she had never lived outside her home country. Fortunately, that home country was also the location of corporate headquarters, so she had held positions that allowed her to experience the key *processes* needed for top leadership. She had negotiated global alliances, bargained with globally diverse labor organizations, and worked closely with many of the current senior management leaders. It was experience in these key processes that mattered, not the credential of living in two different countries. Fortunately, in this case, this was recognized, she admitted it was more by happenstance than design.

We find that the best organizations understand this, and typically even have a handful of HR and line leaders who can articulate this level of rigor in their talent mental models. Yet, such mental models are rare, they often arise only through good fortune or unusual experiences, and they are not easily nor reliably replicated or used by the vast majority of decision makers. Much value can be gained by making such knowledge more systematic and explicit, which will enhance the accountability and rigor of global leadership development. HRM measures must increasingly support and reflect more of the linking elements between HR investments and strategic advantage (Boudreau and Ramstad, in press, b), and this is especially true for leadership development, which is resource-intensive and often poorly understood.

### **Mental Models Mapped With the Talent Decision Science Should Guide and Inform Global Leadership Development**

A talent decision science is not only a tool for improving decisions, it is a diagnostic template for mapping and comparing existing mental models that leaders, managers and employees use to discern talent-strategy connections (Boudreau and Ramstad, in press, a). Our anecdotal experience suggests that such mental models are highly variable. Lacking a shared framework, individuals often develop quite different ideas about the connection points between talent and strategic advantage. It seems likely that differences in mental models can help explain disagreements about talent decisions, or ineffective global organization designs, HR

practices, and alliances. Thus, future research and practice can use frameworks like HC BRidge and the VCCP matrix not only to analyze strategy, but to map and articulate the mental models of key decision makers. Such descriptions are the first step to identifying the areas of agreement and disagreement, and then building a shared perspective. For example, we have used HC BRidge as a framework for leadership development exercises in which participants create and compare their mental models about talent, often with surprising and stimulating results. More formal and systematic comparisons seem likely to yield more generalizable patterns and results.

Thus, it is our hope that the HC BRidge framework in Figure 1, augmented by the global strategic process perspective embodied in the VCCP matrix, will encourage future research to define and develop a true decision science for strategic global talent.

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