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Human Resources in the Future: An Obstacle or a Champion of Globalization?

Abstract
[Excerpt] There seems to be a wide ranging agreement among HR scholars and practitioners alike that HR in the Future will be increasingly global. Virtually no firms, large or small, irrespective of industries, are today shielded from the impact of globalization. Competitive threats and, in particular, opportunities are more and more global. The ever expanding scope of global competition is forcing a continuous reexamination of how Human Resources can best support the rapid pace of business globalization.

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WORKING PAPER SERIES

Human Resources in the Future: An Obstacle or a Champion of Globalization?

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Human Resources in the Future: An Obstacle or a Champion of Globalization?

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There seems to be a wide ranging agreement among HR scholars and practitioners alike that *HR in the Future* will be increasingly global. Virtually no firms, large or small, irrespective of industries, are today shielded from the impact of globalization. Competitive threats and, in particular, opportunities are more and more global. The ever expanding scope of global competition is forcing a continuous reexamination of how Human Resources can best support the rapid pace of business globalization.

Firms competing in the global environment are facing a multitude of new demands on their organization and people, often being pushed simultaneously into several contradictory directions. In response, the new global organizing paradigm is centered on complementarities, not on trade-offs, on management process, not on organizational structure and procedures. It symbolizes a shift away from traditional and static structural solutions to global business challenges, towards an acceptance of the global organization as a fluid and evolving dynamic network.

In order to survive and prosper in the new global competition, companies are embracing global integration and coordination, but at the same time must push for local flexibility and speed. Global companies have to nurture global organizational learning by stimulating creativity, innovation and free-flow of ideas across boundaries, but also advocate a disciplined and methodical approach to global continuous improvement. To succeed in global competition requires an open and empowered organizational climate, but also a tightly focused global competitive culture.

In a global competitive arena, the sustainable competitive advantage will depend less on the strategic planning debates inside the corporate HQ, and more on the behavior of employees across all regions of the world. When the handful of proven competitive recipes is well know, the key to success is the organizational capability to execute. If global organizational capability, intrinsically linked to people issues, is the principal tool of competition, it is only natural that HR in the future should become *the pivotal partner in the globalization process.*

Human Resources: An Obstacle to Globalization?

Paradoxically, in spite of the value-adding opportunities for HR contributions to competitive advantage driven by the demands of business globalization, in many companies today the HR function is still perceived not as a full partner in the globalization process, but perhaps even as its principal obstacle. The ethnocentric and parochial HR systems and policies inherited from the past and focused on a single country or a select group of employees, are all too often the most common barriers to the implementation of effective global organizational processes.

What are most the frequent causes of parochial behavior in Human Resources?

First of all, compared to most other business functions, *many current HR leaders have not yet had much direct exposure to issues spanning the national boundaries.* In a typical corporation today, be it American, European or Japanese, the careers of most HR managers evolve primarily within their own native countries or perhaps within a small region. Only in exceptional cases would a HR executive career involve multi-country experiences. "International' issues are the domains of HR specialists, focused on expatriate compensation & benefit issues and on operational fire-fighting.

In parallel, most operational HR activities are decentralized into individual country organizations. While such an approach is, in principle, logical -- after all, the vast majority of employees are and always will be "local", embedded in the local culture and impacted by the local legal and regulatory environment. However, *when HR localization is taken to an extreme and everyone is treated as local, who is "global"?* A natural outcome of this well-intentioned, but ultimately destructive localization bias is that home (HQ) country nationals are considered implicitly "global", and all others are local. That's why the top HR leadership group is generally not very representative of the employee population at large.

Another factor limiting HR effectiveness as a partner in the globalization process is the traditional focus of international HR on selecting and supporting expatriates rather than serving the global employee population. In many corporations worldwide, the operational needs of the expatriate management system, much of it centered around compensation and benefit issues, still dominate the "international" HR agenda of the corporate HR.

Finally, the HR function is often satisfied with just being an "innocent bystander" to the on-going globalization. There seems to be little desire to get involved and influence its direction, measure its progress, its impact on business performance, as well as define where and how HR can make a difference. However, without a willingness to become accountable for the outcome of the globalization process, it is not very likely that in the current era of downsizing and outsourcing, there will be many resources left for HR to impact the globalization process, besides an occasional "global" HR conference and a few bows towards cultural diversity in company newsletters.

Developing a Global Mindset in Human Resources

The challenges facing the global Human Resource function are formidable, but so are the opportunities to make a difference. However, the cornerstone for HR leadership in the globalization process is its capacity to become a global role-model. Unless the HR function is seen as a "living example" of, for example, how a global organization recruits, develops, and

rewards people, how it stimulates and supports global networks, and how it makes decisions that integrate global and local perspectives, it may be difficult to gain the credibility to influence others.

There are, however, a number of fundamental issues that may need to be addressed within the HR function, before HR can assume its legitimate and necessary role as the champion of globalization. Among those issues, those linked to the influence of national cultures on human resource practices are perhaps the ones where a deeper understanding of challenges ahead may be essential.

First of all, having a "global HR mindset" implies a recognition of benefits that can flow to the whole organization from encouraging and valuing cultural diversity in people, not just as members of distinct cultural groups, but as individuals. Success in building cross-border networks of relationships which are the core veins of effective global organizations is dependent on understanding and valuing cultural diversity. Yet valuing diversity must go well beyond the traditional emphasis on bridging the distance between the clusters of national cultures by focusing on "average" national characteristics.

Cultural knowledge in human resource implies knowledge of differences *"within culture"* as well as *"across cultures".* The barrier which hinders effective cross-cultural interactions is not just the "average" distance between national cultures, but also the lack of comprehension about diversity within a given culture by outsiders who do not understand the historical, political and social context of "within-culture" differences, and thus have to rely on often misleading general assumptions and stereotypes. *We stopped stereotyping about gender and race, perhaps we should tackle culture with the same determination.*

At the same time, how unique can be the basic philosophy of human resources in a global firm? Maintaining a healthy differentiation that creates competitive advantage, but at the same time responding to local cultural characteristics, is a major obstacle facing global HR. Within their home culture, few HR professionals would question the benefits of differentiation. Leading-edge companies are seldom scolded by the business press from being different in management style from their competitors. Rather, their idiosyncratic cultures and values are celebrated and often sought out to be emulated.

However, being different in a "foreign" culture is considered by many HR professionals as somewhat rude and arrogant, if not fundamentally wrong and improper. Yet, in the process of balancing the global business needs with multiple cultures, the role of HR should not be just to defend cultural traditions in the name of cultural diversity, but to implement the necessary organizational strategies with sensitivity to specific cultural influences. Unfortunately, where and

how to "push", and where to "give" in to cultural differences, is the kind of specific "global" knowledge that not many HR leaders today have had the opportunity to develop.

Globalizing HR Processes

With cultural foundations for the global HR mindset in place, the next challenge is to implement a set of comprehensive HR processes that speed up the globalization process, foster global competitive capabilities, and support the selection, retention and motivation of future global leaders. In this context, global staffing and global leadership development are perhaps the two components of global Human Resources with the greatest potential for powerful leverage that global firms such as Citicorp, P&G, Motorola, Shell, and Unilever has already recognized. In both of these areas, the deepening emphasis on globalization requires, however, a major paradigm shift in HR orientation in comparison with the traditional perspective.

First of all, *it is critical to recognize the differences between global and expatriate managers.* The former are defined, in a broad sense, as executives who perceive global competition as an opportunity, have a hands-on understanding of global business, an ability to work across organizational, functional, and cross-cultural boundaries, and are able to balance the simultaneous demands of global integration and local responsiveness. In short, global managers are defined by their *state of mind,* in contrast to expatriate managers who are identified by *location* as executives in leadership positions that involve cross-border assignments.

Global HR should be focused on present and future global leaders, not just on current expatriate managers. However, where will the future global leaders come from? Will global opportunities be available to employees all over the world, or only for those located in one or a few key countries? From a long-term perspective, a truly global organization must satisfy a simple but demanding test: in global firms, "it does not matter where one enters". Worldwide, probably very few companies can meet this ambitious target today.

In addition, the expectations about "expatriate" roles are also going to be substantially changed. Today, most international assignments are still "demand-driven", filling positions where sufficient know-how is not available locally, or when the authority of the center needs to be upheld in a more direct fashion. In other words, expatriates are *teachers,* transferring new capabilities and maintaining order. Give the expense, the emphasis on limiting the number of "teaching" expatriates is only natural.

In future, however, the role of expatriates will change dramatically. With lesser need for knowledge transfer from the center, most expatriates will be *students,* not teachers, learning through experience about market and cultural differences, while developing long-lasting

networks of relationships. In this case, the more, the better. Obviously, the HR support system will have to adjust to this redefinition of expatriate roles by linking policies and practices more tightly to the purpose of the assignment.

Global staffing

While it may seem intuitively obvious that global firms will need more and more employees with "global brains", translating this attractive vision into an operational reality is not simple. First of all, does every employee need to be "global"? Who really needs global brains? Most managers are not "born global", they acquire "global brains" through a series of experiences, many of them at a substantial cost to the organization. *What is the "return" on investing in developing people with global brains?* Making a rational "business case" concerning the future need and use of global managers is one of the critical strategic decision the global HR function and business leaders must make together.

Once the demand parameter is set, a corresponding long-term supply strategy needs to be put in place. Should the future global managers be developed on the inside "bench", or is it better to recruit them from the outside labor market when the actual need arises? Insiders benefit from the knowledge of the business and the organization, outsiders often bring in ready-made global skills. What would be the cost and benefits of the two approaches, given a firm-specific technology, organizational processes and culture? Also, if global skills are critical for future leaders, to what degree should the entry level selection process focus on an employee's potential to acquire global skills, expressed, for example, as the willingness to move across borders.

There is some empirical evidence that global mobility enhances the opportunities to develop a global mindset (although not everyone who frequently moves across country boundaries necessarily fits the characteristics of a global manager). At the same time, the socio-economic and cultural trends around the world point to increasing barriers to employee mobility; dual-career families, parental care needs, children's education constraints due to the competitiveness of the home-country education systems, the equalization of economic opportunities lessening the incentives to move, all are factors that may diminish the desire of employees to actively seek out international assignments.

In response, global organizations will have to become more and more creative in finding suitable alternatives to mobility. Given the need to flatten the organizational hierarchy supported by advances in modern communication technology, the traditional country-based job boundaries will begin to disappear, stimulating demand for positions with multi-country responsibilities.

Again, weighing and managing the cost and benefit tradeoffs of alternative global staffing strategies is one of the major challenges facing the global HR. *Global Leadership Development*

As a "global mindset" is one of the key characteristics of future global leaders, then one of the principal tasks of global leadership development should be to create and support an environment where global mindsets can flourish. Global leadership development in future will focus on providing a broad spectrum of employees with opportunities to acquire and enhance their global leadership skills and capabilities, often using a variety of non-traditional developmental techniques, such as cross-border job swaps, or assignments to multi-cultural task forces and project teams.

Internal education programs in global organizations are likely to emphasize the acquisition of global experience. As "learning by doing" is the best, if not the only effective method to develop global skills, and given the high cost involved in most global training programs, tighter linkage of leadership development with global business needs through a variety of action learning approaches will be necessary (e.g. GE's Crotonville model) In turn, this implies that development professionals themselves have to significantly upgrade their understanding of globalization issues.

Future global organizations are increasingly going to rely on flexible networks of relationships to foster global integration and coordination. Therefore, a significant component of developmental activities should focus on the socialization aspects of leadership development. The purpose should be to create and enhance the relationship networks, and support the sense of common purpose, trust and cooperation among employees across the whole global organization. Again, facilitated joint projects are probably the best tools to accomplish this objective.

Finally, in spite of the increasing barriers to mobility cited earlier, international mobility is likely to remain the critical building block for enhancing the awareness of global issues and for the development of global leadership skills. Global assignments should therefore become an integrated part of the career planning and development process. In contrast to the past patterns of expatriation, the learning-driven global assignments are likely to occur relatively early in an employee's professional career and may involve rotations across the whole global network, not just the traditional exchanges between the HQ and the country affiliates.

In this broader context, and in order to move the organization forward to its ideal "transnational" state, the key task of those responsible for implementing global leadership development activities is to secure equitable access for talented employees worldwide to take advantage of available opportunities.

Human Resource as a Champion of Globalization

What are the next few concrete steps that HR can take today to launch its globalization journey?

Given the discussion above, the challenges facing Human Resource in the future as the function strives to become the champion of globalization can be generalized under three broad problem areas: *a) developing a global mindset inside the HR organization,* including a deep understanding of the new global competitive environment and the impact it has on the management of people worldwide; *b) aligning core human resource processes* and activities with the new requirements of competing *globally,* while simultaneously responding to local issues and requirements; and *c) enhancing global competencies and capabilities within the HR function,* so it can become a borderless business partner in rapidly exploiting business opportunities worldwide.

Therefore, probably the first step that should be taken is to globalize the core HR leadership group, so it is more closely aligned with business opportunities worldwide as well as with the cultural diversity of the organization. This may involve global rotation and assignments, redesign of roles and responsibilities, and global development programs targeted at HR.

The second complementary step should take aim at enhancing and extending the formal and informal coordinating mechanisms linking HR professionals in the worldwide organization. Here, information technology, global task forces and project teams, short-term developmental assignments, and global training are the key instruments of change.

In the longer run, in order to accomplish the globalization objective, it will be necessary to increase dramatically the rotations and exchanges of high-potential HR professionals across countries early in their careers, including more international HR internships for students, so they can assimilate the hands-on skills of managing people issues in a multi-cultural environment. This may also require changing the traditional criteria for selecting the entry level HR professionals worldwide, with a new emphasis on cross-cultural and language skills.

Clearly, Human Resources in the future will be much more diverse than today. And for all of us in the HR field who enjoy diversity, it will be great fun.