

Seeing the Elephant: Human Resource Management Challenges in the Age of Globalization

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In the early 1800s, an American farmer who had never seen an elephant decided to travel to a nearby town where a circus was scheduled to visit. Thinking to kill two birds with one stone, he loaded his wagon with vegetables, with the intent to sell them at the town's market after the performance of the circus. On the way to town he encountered the circus retinue, which was led by an elephant. The sight of the elephant terrified his team of horses, which promptly bolted—the result being an overturned wagon and spoiled vegetables littering the road. In response to this disaster, the farmer is said to have exclaimed: "I don't give a hang, for I have seen the elephant!"

In nineteenth century America, "seeing the elephant" denoted the encountering of an exotic phenomenon, an unequalled experience, an adventure of a lifetime, or a particularly dangerous situation. Gold prospectors planning to travel west in the 1850s announced they were "going to see the elephant." Those who returned home without making it to California claimed they had seen the "elephant's tracks" or the "elephant's

tail." Gold Rush-era Californians sometimes described the phenomenon as simply, "the elephant."

What is the managerial "elephant" of the twenty-first century? Is there an unequalled, heretofore unknown, exotic sight, or some attractive, yet potentially overwhelming condition that can make or break people and organizations? There is. The elephant, *globalization*, has upset the cart of traditional business rules: the new rules of globalization are often vague, unstable, counterintuitive, and full of exceptions.

The elephant and HR: When chief executive officers (CEOs) try to aggressively position their companies to be global players, they often find their efforts frustrated due to a lack of global competencies in their managerial corps. As the former CEO of Brunswick Corp., Jack Riechert, put it, "We have all the financial, technical, and product resources we need to be a dominant global player. What we lack are the human resources. We just don't have the people we need who understand global markets and players." When CEOs turn to their human resource specialists for help in

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developing globally competent managers and globally sophisticated HR systems, how ready are HR managers to confront the “elephant” of globalization?

To get richer insights about the challenges of globalization for HR managers, we interviewed HR executives from over 30 companies and collected surveys from executives attending several sessions at the University of Michigan Senior Human Resource Executive Program (please see [Appendix A](#) for a description of our study). We will first look at how globalization is influencing the strategic trends of the companies of these HR executives, and then we will report, and offer solutions to, what they characterized as the primary HR challenges they are facing due to globalization.

Going global: Four years ago, we asked these HR executives to describe the overall strategic orientation of their company, and what the overall strategic orientation would be in 2004. As [Fig. 1](#) illustrates, their companies are migrating away from a domestic strategic focus and toward either a balanced or global focus. In the near term, most of this movement is from a domestic to a balanced focus (i.e., essentially equal focus on both domestic and international). However, by 2004 only 10 percent expected to remain focused primarily on domestic markets.

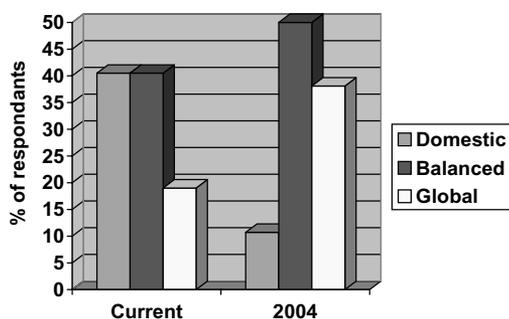
As one HR executive of a large discount retailer put it, “From our inception we have been a U.S. company. However, this will not

be the case going forward. Growth opportunities for us are in Europe, in Asia, and in Latin America. Also, our two biggest competitors are in Europe, and we need to beat them on their own turf.”

Going from a domestic to balanced to global strategic focus is not an easy process and creates various HR challenges. A quick sketch of Black & Decker Corp.’s movement provides some initial insights. Prior to 1996, Black & Decker’s eastern hemisphere regional headquarters was in Maryland. This regional office was responsible for virtually all the countries along the Pacific Rim. The U.S. location of their Asia Pacific regional office largely reflected the U.S., or domestic orientation of the company. Subsequently, Black & Decker moved the eastern hemisphere regional office, first to Singapore. This put the office closer to the regional action and increased the focus on the region. Black & Decker put a similar increase in focus on other regions of the world. This move to a more balanced (equal weight on global and domestic concerns) strategic focus involved numerous HR challenges, such as: moving people around the world on international assignments, determining the extent to which important processes such as performance management should be harmonized with headquarters culture or with local business culture, determining cross-cultural issues associated with management development, and designing global compensation systems.

As senior executives within Black & Decker look forward to the future, they have determined that a balanced, but separate domestic and international strategic focus is not ideal for the firm. While the current balance provides greater focus on global market opportunities (and competitors) the separation aspect creates duplication and does not work to capture synergies or economies of scale and scope. In the future, Black & Decker wants to better integrate its operations worldwide so that information, ideas, innovations, products, and people can move more seamlessly across the entire global organization.

FIGURE 1 STRATEGIC ORIENTATION



How prepared are you?: Given that people, and in particular, leaders, are critical to the successful movement of organizations from domestic business outlooks towards global strategic orientations, one naturally wonders how well HR executives and HR groups are prepared to meet this challenge. When asked about HR's competence at managing global issues, the executives we surveyed painted a picture that raises some concern: only about one percent of the executives surveyed thought that their HR staff at headquarters or in their business units were "world class" in managing global issues.

Becoming world class at managing HR issues is a challenge for even the most highly regarded companies. Even the best companies and well intentioned individuals can run aground on the unseen cultural reefs that lie in wait in the waters of global expansion. For example, when Jack Welch first took over as CEO of General Electric Co., only about 10 percent of its revenues were derived from international markets. It was a U.S.A.-centric organization. In addition to his mantra of be #1 or #2 (or get sold), he also pushed the major divisions to expand their strategic focus overseas. In response to this strategic shift, the Medical Systems division acquired companies in Japan and France. These acquisitions catapulted the division into the top position globally; however, things did not go well at first. Lack of international HR experience caused several missteps with GE's acquisition of *Cie Generale de Radiologie* in France. For example, during one of the initial integration meetings at a hotel in France, U.S. managers put up English posters in the meeting room that declared, "GE is #1," and asked French managers to all wear T-shirts to the meeting with similar slogans on them. The French managers were insulted by these and other moves. As a result of these and other missteps, GE's new unit lost \$25 million instead of making an anticipated \$25 million in the first year after the acquisition. The second year also produced losses rather than anticipated profits. Today, the HR staff members at Medical Systems are considered to be some of the most capable anywhere.

However, the case illustrates two critical points. First, even a great company can have HR staff who are not world class when it comes to global competencies. Second, lack of those competencies in advance of global strategic expansion can (and often does) lead to mistakes that cost the company money, morale, and momentum.

Bringing an HR group up to speed in terms of global competency development in time for them to enhance global strategy implementation is a stiff challenge. While a firm can decide to shift its strategic direction from a domestic to a global focus in the space of a few years, developing the required HR competencies may not be done as rapidly. It takes time for an individual HR staff or for an entire HR group to increase their global management capabilities and competencies, and this development needs to start *in advance* of the actual implementation of the firm's strategic shift. An executive with TRW Inc. pointed out the importance of this when he stressed that:

... just because you have taken an international assignment to China does not mean you can effectively manage across multiple countries. For most [leaders] an international assignment is a critical developmental experience, but that is not all it takes to turn you into a global leader. This means that we must have HR people who are global long before we need business people; otherwise how will we identify, train, and develop business leaders?

For this HR executive, this realization came after taking part in a global leadership development program for high-potential executives in the company that involved—among other things—action-learning projects in China. The executive admitted that the experience "opened his eyes" to the real demands of managing global HR, especially in terms of leadership development. It is interesting to note that in another study we undertook a few years ago, we found that

only 11 percent of U.S. HR executives had themselves lived or worked in a foreign country.

It is a troubling picture that these executives painted for us: Companies moving swiftly down the path to global strategy implementation, with HR systems and people who lack both system-wide and individual global expertise, and who have no time to adequately develop such expertise.

The “Big Five” global HR challenges: Regardless of how prepared companies are for global HR issues, they face them in real-time nevertheless. Consequently, we wanted to get a sense of what they felt were the biggest challenges they were currently wrestling with within the “context of ill preparation” discussed above. When we asked executives to identify the major challenges the HR function faced in terms of globalization concerns, the following five issues emerged:

- Enhancing global business strategy
- Aligning HR issues with business strategy
- Designing and leading change
- Building global corporate cultures
- Developing global leaders

Just on the surface, these are incredible challenges, not easily met. For each one there is a long and steep learning curve; and to get to the top, you have to start early and climb hard. The question then becomes, “How do HR managers go about developing these competencies?”

DEALING WITH THE “BIG FIVE”: ADVICE FOR ELEPHANT HANDLERS

From both the interviews and surveys, it was clear that these challenges were of significant importance to all executives. We start with the issue of enhancing business strategy, then move to the challenge of aligning HR practices with the strategy. From there we move to facilitating change efforts and creating effective cultures. We end where global strategies are made—with global leaders and their development.

Enhancing the Creation of Global Business Strategies

In order for the HR group to play a role in the creation and implementation of global business strategy, HR managers must focus on three important issues: (a) integrating global HR issues into the company’s mission, (b) encouraging senior managers to be catalysts for integrating HR with global strategy development and implementation, and (c) keeping global HR issues on managers’ radar screens throughout the strategy-building and implementation process.

Mission integration. Organizations that possess world-class global HR competencies ensure that the HR dimension is central to a company’s global mission. “People” issues are integrated into every aspect of business operations. For example, at ExxonMobil Aviation (EMA), the managing director, John Bell, insisted from the start of the new organization that people be at the core of the mission. EMA sells a true commodity—jet fuel. Jet fuel is the same the world over. It is made to very exacting standards—so exacting that it is co-mingled at the airports in storage tanks. Shell, BP, ExxonMobil, TotalFinaElf and everyone else’s jet fuel is mixed together. Consequently, as John Bell puts it, “People are our only differentiator.” If EMA cannot differentiate by the quality of employees it selects and develops, it has little hope of beating competitors such as Shell or BP, which also have large refineries, pipelines, and on-airport refueling capabilities.

Another indicator of pure integration between global HR and global mission is the diminished distinction between domestic and international HR. In all aspects of its operations, Molex Inc., for example, has worked hard to break the old paradigm of domestic vs. international. It was one of the first U.S. firms to do away with distinctions between the two concepts in the HR realm. Molex HR staffs around the world have the same titles. Its corporate culture views Molex as a global family of firms, rather than a U.S.-based conglomerate.

Top management as catalysts. Many companies often espouse concern for global HR issues—and sometimes even mention it in their mission statements—but few companies actually have integrated that concern into their strategic planning and policy crafting processes. This integration begins with the CEO. Until Kofi Annan became the seventh Secretary-General of the United Nations, there was little concern in that organization regarding such basic human resource concerns as HR planning, staff development, or performance management. This, though the United Nations is a worldwide organization with a staff of 8,500 who represent the interests of people in 188 nations!

Since taking the reins, Secretary-General Annan has launched numerous reforms throughout the United Nations Office of Human Resources Management. Initiatives around succession planning, HR planning, managerial competency training, and performance management are now in place and are taking hold in an organizational culture that was not historically focused on employee development. All because the CEO led the change, and believed in its importance.

Keeping global HR on managers' radar screens. To lead global HR change initiatives, top management must first understand the link between organizational performance and the social capital of the firm. The senior HR staff must constantly reinforce this truth—even if the CEO and other senior executives “get it.” As the HR director at a large Canadian steel company put it,

Much of my job is capturing and keeping the attention of senior management. These guys are steel guys. They pay attention to hard things not soft, so I have to demonstrate to them that people issues deliver both hard financial losses when they are not right and tangible gains when they are.

This mantra must be communicated constantly—along with the hard evidence to

support its claims. Over time, a constant focus on the inextricable relationship between HR issues and productivity will pay dividends, as has been demonstrated in a number of recent domestic and international academic studies.

Aligning HR Processes and Programs with Overall Global Business Strategy

The natural challenge that flows from a foundation of valuing social capital in an organization is the need to align HR processes and programs with global business strategies—and vice versa! To do so, it is critical to focus on three things: maintaining a global vs. a headquarters-based perspective, paying attention to HR issues during strategy implementation, and balancing local vs. global issues in HR policies.

Maintain a global perspective, not a headquarters-based perspective. Rather than respond in a region-specific way to economic fluctuations by downsizing or expanding its human capital, Molex views both its business operations and social capital from a truly global perspective. For example, from mid-1997 to mid-1998, the American and European regions of Molex's operations performed very well, while its Asian operations struggled. In the past, however, Molex's Asian operations had been cash cows. In responding to the Asian financial crisis, Molex's CEO, Frederick A. Krehbiel, addressed all Molex employees at the company's annual worldwide telecommunications meeting with the following message:

Let us celebrate the advantages of being global. Despite the fact that the Southeast Asia operations are down, the company has made enough money elsewhere to give salary increases to everyone. There have been no layoffs. In fact, we have spent money in all of our regions to make needed improvements to operations. In the past, the productivity of our Asian operations

allowed us to improve our operations in Europe and America. Now it is time for Europe and America to carry the rest of the world, as Asia carried them in the past. (Solomon, "Brace for Change," in *Workforce* [January 1999], p. 10)

Pay attention to HR issues during implementation of global strategy. The acquisition of Parker Pen by Gillette Co. in 1993 triggered a need to strategically restructure the organization of all units of Gillette (razors and toiletries, Duracell batteries, Oral-B dental care, and Braun appliances) into geographic units, each with a single sales force, to be more responsive to local needs. Gillette's senior executives wisely paid attention to human resource issues during the strategic planning and implementation of the restructuring, and because they did, the organizational transformation went more smoothly than it otherwise would have. For example, in Singapore, it was decided that all the Parker Pen and Gillette units were to be combined into one central "campus" rather than be spread out over the island. Parker employees who worked on the east side of the island threatened to quit if the campus was placed on the west side of the island, where the majority of the Gillette employees lived and worked. Conversely, the Gillette employees resented the idea that they might be asked to travel to the east side of the island to work. Rumors, fears, and poor morale began to fester, as everyone wondered what headquarters would do.

Rather than simply basing the location decision on the concentration of existing facilities, the preferences of senior managers, or the relative worth or power of dominant product units, Gillette senior management instead plotted on a map of Singapore the home of every single Gillette employee. The executives then chose a new site for the campus (rather than using existing facilities) based on the geographic location of all of Gillette's Singaporean employees. Valuable

employees whose competencies (and customers!) could not easily be replaced were retained. Strategy and HR issues fused into the creation of a business decision that was more ideal than if it had been based on pragmatic organizational criteria alone.

Balance local vs. global issues in HR policy-making. A senior HR executive with DuPont Co., who has experience in Australia, U.S.A., and several Asian countries, including Japan, explained that "even though DuPont has gone to global shared services in HR, it is impossible to have everything be the same the world over." Like many companies, DuPont has restructured human resources so that a vast majority of its activities are shared services done for all business units. While this works well in large countries with significant business operations, such as the U.S. or Germany, it works less well in smaller countries where DuPont's businesses are not equally invested, such as Thailand. With market conditions so different in Thailand from, say, Japan, it is hard to run a shared recruiting service effectively out of a single regional office in Singapore. Yet the challenge of not duplicating activities, and therefore costs, is significant. In this case, DuPont has worked hard to balance these tensions. It has discovered that despite the differences at upper managerial levels where they typically use search firms to help them with external recruiting, it is best to do this on a coordinated basis across countries. In this way they can leverage their size to get better prices and service from search firms. It also helps them avoid reinventing the wheel on a country-by-country basis. However, when it comes to less skilled line employees, the benefits of a local approach outweigh those of coordination.

Assisting in Leading Global Change Initiatives

A primary role of the HR function in any organization is to assist in crafting and implementing organizational change initiatives. The development of policies that actually

help people adjust to and learn the new skills required for global organizational change is absolutely necessary if a company is to be successful in the global marketplace. To pull this off, HR managers must focus on enabling people not only to carry out the change initiative, but also to take the lead in creating and implementing global HR change initiatives.

Enable people to change—don't just tell them to. China Light and Power (CLP) in Hong Kong is expanding from a domestic-oriented, government-controlled monopoly to a market driven, global enterprise. It is a significant transformation, to say the least. The change in managers' focus from "what will the next set of government regulations be?" to "what are the market trends, who are our competitors, and what are they doing?" is a major challenge. It is, of course, not enough to say to these managers, "CHANGE!" Even if they all wanted to (and they don't), and even if they were all capable of changing on their own (and they're not), there is no guarantee they would move in the right direction.

Consequently, CLP implemented a set of new leadership competencies and communicated them to all managers. It then instituted a rather rigorous assessment program so that managers could get an idea of where they were relative to each of the competencies. Finally, those with the highest potential were put through a multi-phase, six-month program that included both traditional classroom education and study trips to deregulated electrical power markets, team projects, and an interactive (team-based) computer simulation of market competition. As a senior director of development explained, "If we don't show them the path and give them the tools, it's a bit unfair to let them go if they don't make the grade."

Taking the lead in creating and implementing global HR change initiatives. The corporate HR team of the Royal Dutch/Shell Group is an excellent example of an HR group that has created and led a global change initiative. In 1993, Shell, perceiving

trouble among its expatriate staff, sent out a survey to 17,000 current and former Shell expatriates and their spouses. Two major problems were identified: loss of spouses' careers and separation from children who had to return to their home countries for secondary education. These two problems were causing significant damage to international mobility, productivity, and global leadership development.

Six Shell task forces attacked the problem and implemented major policy changes in 1995. To assist in expatriate children's schooling, Shell now selects a local primary school and works with the school to develop and adopt curriculum that will prepare the expatriate children for secondary schooling in their home countries. Where this is not feasible and the number of expatriates in a specific location meet a threshold figure, Shell now builds and staffs a company elementary school. Traditionally, at the secondary school level, many expatriates had to send their children (from age 11) to boarding schools in their home countries. Shell has now contracted with International School Services to evaluate each locale and to strengthen existing schools by ensuring curriculum development, funding for lab equipment, etc. These curriculum-enhanced Shell programs are now in place at 800 secondary schools in 94 countries.

To meet the career needs of spouses and partners, Shell developed "The Outpost" in 1995. Located in The Hague, it now has 40 local hubs around the world. The Outpost hubs, run by spouses of Shell employees, provide a rich information network about job openings, career advice, and support services on a within-country and between-country basis. The central Outpost has a database of roughly 11,000 families who have indicated that they are willing to share their insights and experiences with others. The Outpost matches new expatriates with existing expatriates, organizes welcome committees for new expatriates, publishes a magazine to help expatriates, and provides books and materials on topics of interest to expatriate families.

The teams' work has freed high-potential managers to pursue assignments overseas, which enhances their global business skills. And building global business competencies among Shell's managers aids directly in the achievement of Shell's global business strategies.

Strategically Assist in Building Global Corporate Cultures

The need to develop a global corporate culture that is strong enough to maintain a consistency of important company norms across nations, yet is also flexible enough to allow for local preferences in conducting business, is a difficult challenge. One way to achieve this balance is to focus on developing rituals that reinforce aspects of the corporate culture that top management wants to preserve. Another approach is to pay attention to local and cultural sensitivities and respect them despite the existence of a global, corporate culture.

Cement "global" rituals. People need symbolic reminders of the global scope and focus of the company because the vast majority of employees face local issues on a daily basis. Without the symbolic reminders, it is easy for day-to-day local demands to drive out global perspective. To tackle this dynamic, Molex has developed communications rituals to cement and reinforce the corporate norms they deem most important. Twice a month, each unit around the world has a communication meeting that lasts about an hour, but in some cases can go longer. Molex employees are informed of the status of the unit's performance and other issues that apply to that Molex unit.

Molex also conducts annual communication meetings. These meetings are attended in each unit by the chairman, the COO (chief operating officer), the executive vice president, the corporate vice president (VP) of HR, senior executives of the local entity, and senior executives from the region. Kathi Regas, corporate VP of HR for Molex, notes,

Our annual communications meetings ensure that our employees know they're a part of something much bigger than their local entities. They know our history, our performance, and our plans for the future. This, combined with frequent contact among our employees from entities around the world, and common practices, helps maintain our culture and strengthens a global team of employees. (J. Laabs, "Molex Makes Global HR Look Easy," in *Workforce* [March 1999], p. 45)

Respect local cultural sensitivities. While great benefits can come from a unifying global corporate culture, local employees can and do resist the firm's culture if they view it as cultural imperialism vs. competitive unification. Although Black & Decker stumbled with its strategy for DeWalt power tools in Asia (which we describe just a bit later in this article), it was successful in folding Asia into one of the critical elements of its global corporate culture through sensitivity and respect for local values.

Black & Decker believed that one of the keys to its success had been a culture of direct and candid developmental feedback to managers. It used a 360-degree performance appraisal process for gathering feedback for managers on how they were doing relative to their bosses', their peers', and subordinates' perceptions. When it moved its eastern hemisphere headquarters from Maryland to Singapore, it also wanted to implement this developmental process.

As Black & Decker talked with local Asian employees, it became clear that it was a bit "counter-cultural" to give feedback (especially anything negative) to one's boss. When asked if employees felt bosses could benefit from the feedback, if employees wanted to give the feedback, and if they wanted to receive feedback, they almost universally said *yes*. The real cultural issue turned out to be face-to-face encounters and confidentiality. The HR director at the time, Robyn Mingle, created a system whereby comments from

subordinates were submitted to HR, transcribed from hand to electronic format, and “scrubbed” to ensure that any hints in the comments as to who might have made them were removed. Then the original handwritten comments were shredded.

Black & Decker thus preserved a unifying element of its global corporate culture and values (i.e., 360-degree feedback and constant improvement) and at the same time respected the elements of the local culture that did not fit the exact way the practice was implemented in the US. As Robyn Mingle put it, “The critical thing is the end result—do you preserve the fundamental value? The fact that we had to implement it a bit differently in Asia than the US is fine and in fact necessary.”

Developing Future Leaders

It takes executives and managers with global mindsets, global competencies, and global experience to develop and implement global strategic initiatives. One major function of HR in the twenty-first century will be to transform domestic, ethnocentric managers into global managers.

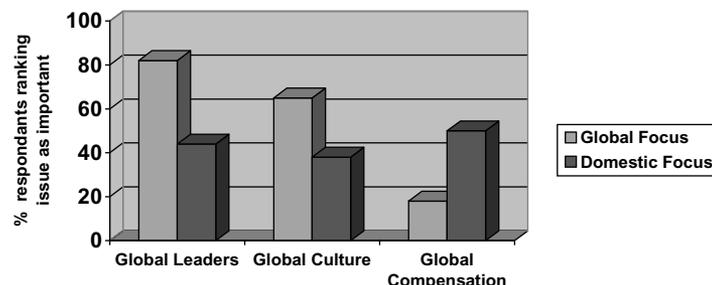
Fig. 2 provides an interesting perspective from our sample of HR executives regarding the influence of strategic focus on global leadership development. For example, executives whose companies currently have an international strategic focus view developing global leaders and managing an effective

global corporate culture as being more important than those from companies with a domestic strategic focus. It is likely that global leaders were seen as the most important issue because—despite organizational structures, information systems, and the like—it is individual leaders and teams of executives that make decisions that either help or hurt the company’s competitive position. In our talks with executives in these internationally focused companies, some general reasons surfaced that explained this state of affairs.

An HR executive from Black & Decker explained how the company suffered in Asia because the executives who were sent there had little previous international experience. As a consequence, in launching their leading power tool brand, DeWalt, in Asia they took the same approach that had worked miracles in the US.

The successful marketing strategy in the US called for taking the tools out to job sites and letting workers use the tools. This strategy “pulled” the tools into the market because after the first hand experience with the tools either the workers bought the tools themselves or influenced their bosses to buy them. When done in Asia, literally hundreds of workers would come down off the construction sites and try out the tools. Like their American counterparts, they were also impressed with the tools’ functionality. However, unlike American counterparts, they did not own or buy their tools, and they had zero influence over their bosses

FIGURE 2 IMPORTANCE OF GLOBAL ISSUES



or the company's tool purchasing decisions. Consequently, while the marketing events generated large crowds, they did not generate sales.

Developing global leaders is critical to global business success. To a great extent, executives interviewed were of the opinion that the success of a company's efforts in a new region or country could be no greater than the international savvy of the key leaders making strategic decisions for that market. One of the capabilities consistently mentioned was being sensitive to cultural and business differences and recognizing that what worked in one country may not work in another.

How, then, can global leaders be developed?

Expatriate assignments as vehicles for global leadership development. A plethora of social science research clearly indicates that to develop global leadership competencies in people, companies must make sure that managers have real global experiences. Thus, the strategic use of expatriates is critical in the development of global leaders. In fact, in a separate study, international assignments were found to be the single most powerful developmental experience. This may be part of the reason that we have seen a number of companies—such as 3M, Chevron Corp., Citicorp, GE, Nokia AB oyj, Shell Oil Co., and Texas Instruments Inc.—add an international assignment as one of the experiences managers need in order to be promoted to senior, corporate executive positions. John Pepper, recent chairman of Procter & Gamble Co. put it this way, “My assignment to Italy when I was a young manager was one of the most important events in my entire career. It totally changed how I looked at the business. It also laid a solid foundation for when I later had responsibilities for our European operations. This in turn proved invaluable when I became CEO.”

In particular, international assignments help leaders develop one of the most critical capabilities required in a global corporation—

balancing global integration and local responsiveness. Mr. Pepper talked about his experience in Europe trying to introduce Visor laundry detergent into countries where there were different types of washing machines. Simplified, some countries had “top loaders” and others had “front loaders.” While both cleaned clothes, the detergent tended to distribute unevenly in front loaders. Although they could have spent literally millions of dollars reformulating the detergent to work in front loading washing machines, instead they created a perforated plastic ball into which the detergent was placed and then tossed in with the clothes at the beginning of the wash cycle. As the ball tumbled with the clothes, the detergent flowed out. This invention allowed P&G to meet local differences and at the same time spread the development costs over a much larger revenue base and thus bring the per-unit development costs down.

Mr. Pepper explained that without these sorts of experiences as a leader outside your home market, you either take an imperial perspective as a CEO that your way can and should work everywhere in the world, or a fortress mentality that assumes that nothing from the outside can possibly be right for your market.

Create training programs that simulate expatriate assignments. Many companies are beginning to pay attention to developing leaders who have global competencies. Nokia, Shell, Unilever Bestfoods, TRW Inc., 3M, and the United Nations are examples of just a few companies that are consciously trying to develop global leadership competencies in their managers. One of the more novel approaches is that of the Union Bank of Switzerland (UBS).

Managers of the Union Bank of Switzerland have participated in a project named *SeitenWechsel* (“PerspectiveChange”), established by the “Schweizerische Gemeinnützige Gesellschaft,” a nonprofit organization that brings together business executives with less privileged members of society, with the

goal to further their mutual understanding. The purpose of this program is to expose managers to subcultures within their own country during short, compressed time periods. Managers of UBS were for a short period of time (usually about two weeks) assigned to social welfare projects that required them to look after homeless people, work with juvenile delinquents, care for HIV-patients who were terminally ill, or live together with immigrants seeking asylum. All involved benefited from the program—the people received much needed support and help, while the managers learned how to perceive the world through the eyes of people quite different from them.

According to the managers who participated in the program, “PerspectiveChange” helped them to reduce subjective barriers and prejudices, learn more about themselves, broaden their horizons, and increase their interpersonal skills—all competencies of global leadership. In addition, the program motivated managers to assume greater responsibility for those who need help; 60 percent of participants have supported the institution in which they volunteered after the program ended.

By exposing employees to subcultures within their own country, a foreign assignment can be simulated—they are immersed in a foreign culture at a relatively deep level, and they have to integrate into a different social system, function effectively in a strange environment, and deal with cultural diversity.

CONCLUSION

Clearly, some have seen the elephant of globalization and are hard at work changing themselves and their companies. However, there is increasing evidence that those who have not seen the elephant may not have a choice to avoid it for much longer. Given the steep and long learning curve for mastering international challenges such as enhancing strategy, aligning the organization with the strategy, facilitating global changes, creating

an effective global culture, and developing global leaders, HR executives must lead—not lag—the global strategic focus of their firms.

To the extent that people are key to effective globalization and to the extent that international assignments are one of the most powerful developmental experiences, our research identified a shortage of HR executives with international assignment backgrounds. Some HR executives whom we interviewed suggested that this shortage existed in their companies because HR had been treated largely as a “local issue” (i.e., hiring and paying local employees). Others suggested that the perceived value of HR just did not offset the costs of sending an HR executive on an international assignment. Whatever the reasons for HR executives not having international assignment experience, it seems that this is a specific issue to change in the future.

Finally, to the extent that capable global leaders formulate strategy, implement structures, align the organization, champion needed changes, and determine and reinforce a unifying global culture, it is little wonder that those HR executives most experienced with globalization also ranked the challenge of global leader development as most important. The process of identifying and developing global leaders cannot be implemented overnight, nor will the results magically appear the next quarter. Consequently, building global leadership is perhaps the most important and hardest of the challenges, because working on it almost always precedes the obvious organizational need for it. It is quite easy to get people to jump off a burning oilrig platform, but much harder when they cannot yet smell smoke. This inherent resistance may in fact be why HR competency usually lags strategic focus.

Thus HR executives must lead globalization in part by example. If they have not identified and developed competent global HR talent, how much credibility—in advance of globalization—will they have for creating and implementing systems that

identify and develop global leaders? Yet, if HR executives wait for the globalization demand to fully manifest itself as the company moves into new markets, acquires foreign companies, enters into joint ventures with partners abroad and then sees those efforts fail, HR executives will likely find their capabilities falling short of the demands. As “people problems” are identified as key causes for faltering globalization efforts, HR executives report to us that they increasingly see the finger of blame pointing at them.

Fundamentally, what we conclude from this study is that the largest globalization challenge HR executives confront is anticipatory change—changing before there is clear demand. While the challenges of anticipatory change are not unique to globalization, the need for it that globalization creates is nevertheless inescapable.

APPENDIX A. SIDEBAR: DESCRIPTION OF STUDY

The data presented here were gathered from both interviews and surveys. We interviewed

HR executives in 30 firms headquartered in Europe (7 firms), North America (18), and Asia (5). These firms were selected based on ratings of a separate academic group and executive committee of a leading human resource professional association. We also conducted a survey commissioned by the Human Resource Planning Society. The survey was conducted at three sessions of the Senior HR Executive Program at the University of Michigan. HR executives from 84 out of 95 companies represented at the program participated in the study. The 84 companies had an average number of employees of 73,000 per company. The average firm size, in terms of annual revenue, was approximately \$18 billion per year; all companies had operations outside of their home country, and most had substantial global operations. Of the respondents, 59.5 percent represented companies based in North America; 21.4 percent were based in Europe; and 16.7 percent were based in Asia, Australia, and South America.



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Seeing the Elephant:: Human Resource Management Challenges in the Age of Globalization. August 2003. *Organizational Dynamics* 32(3):261-274. DOI: 10.1016/S0090-2616(03)00031-7. Authors 1 The authors appreciate the funding provided for this research project by the Human Resource Planning Society. and Brigham Young University's Center for International Business Education and Research (CIBER). 1. In the Age of Globalization. Executive Overview. How well are HR managers dealing with the challenges they confront due to globalization? Based on surveys and interviews with senior HR executives, the answer seems to be "not great." While global HR issues are receiving some attention and are being dealt with, global HR. Global human resource management is a vital component of implementing global strategy and is increasingly being recognized as a major determinant of success or failure in international business. Alternate philosophies of managerial staffing abroad are the ethnocentric, polycentric, egocentric, and global approaches. In the global staffing approach, the best managers are recruited from within or outside of the company, regardless of nationality. This practice recruiting third country nationals (TCNs) has been used for some time by many European multinationals. Recently, as more major U.S. companies adopt a global strategic approach, they are also considering foreign executives for their top positions. skill management, global mindset are some of the jostling issues. encountered by human resource function in the retro of globalization. Globalisasi telah menyebabkan kaburnya batas-batas internasional. Di. Article info abstract. HRM Challenges in the Age of Globalisation. SARI PATI. Vol. 10. D: Challenges of Human Resource Management Faced in the 20th Century. E: Major Challenges of HRM in Retail Industry:- 1. Recruitment 2. Training and Development 3. Compensation 4. Attrition and 5. Retention. Challenges of HRM: Faced Over the Decades, by HR Professionals, Organisations and Retail Industry. Challenges of HRM 9 Emerging Challenges Faced by HR Professionals: Managing Workforce Diversity, Meeting Aspirations of Employees, Empowerment and a Few Others. Management of human relations in the future will be more complicated than it is today. "Many of the new generation of employees will be more difficult to motivate than their predecessors. This will in part be the result of a change in value system coupled with rising educational levels. Managing people (Human Resources) in the present context is not an enviable task as it is mired in many challenges. The competitive challenges include globalization, technology, managing change, retaining human capital, responding to market forces and cost containment. ADVERTISEMENTS The major forces driving changes in organizations as well as HRM are globalization and technology. In the present business scenario business success mostly depends on how changes are managed. Companies are successful as they develop a culture that keeps moving all the time. In highly competitive business environment, change management is the core competency of organizations. Changes could be reactive, proactive or both.

Globalization in human resource management means you'll be managing employees over great distances and perhaps in several sites spread around the globe. For this, HR departments face a bigger challenge in communicating with their employees. Often, they must rely on technology such as email or conference calling to relay information, thereby eliminating some of the more direct human elements of interaction. Offices are also open during different points in the 24-hour work day, so that even simple issues may take more time to resolve. Although forms and HR management software should be standardized throughout the company, accommodations may have to be made for language differences, as well. References. Article info abstract. HRM Challenges in the Age of Globalisation. SARI PATI. Vol. 10. Globalization and Strategic Human Resource Management (SHRM) are worldwide phenomena. that have shaped the faces of the corporate. Sugandha Agarwal, Khalid Mohammed Saif Al Qouyatahi / HRM Challenges in the Age of Globalisation / 89 - 98. organizational needs and add greater value. As. The role of the Human Resource Manager is evolving with the change in competitive market environment and the realization that Human Resource Management must play a more strategic role in the success of an organization. Organizations that do not put their emphasis on attracting and retaining talents may find themselves in dire consequences, as their competitors may be outplaying them in the strategic employment of their human resources. With the increase in competition, locally or globally, organizations must become more adaptable, resilient, agile, and customer-focused to succeed. Managing people (Human Resources) in the present context is not an enviable task as it is mired in many challenges. The competitive challenges include globalization, technology, managing change, retaining human capital, responding to market forces and cost containment. ADVERTISEMENTS: The competitive challenges are compounded by concerns for employees influenced by diversity, age, gender issues, job security, educational levels, employee rights, privacy issues, work attitudes and family problems. Challenge # 1. Globalization: Many companies are seeking business opportunities in global markets to grow and prosper as domestic markets are shrinking. Globalization is the trend towards opening up foreign markets to international business and investment. Human resource management (HRM or HR) is the strategic approach to the effective management of people in a company or organization such that they help their business gain a competitive advantage. It is designed to maximize employee performance in service of an employer's strategic objectives. Human resource management is primarily concerned with the management of people within organizations, focusing on policies and systems. HR departments are responsible for overseeing employee-benefits design...