AN INTRODUCTION TO THE TRANSNATIONAL STRATEGY

According to Christopher Bartlett and Sumantra Ghoshal, enduring global competitiveness for many firms can best be pursued by simultaneously achieving three goals: 1) global efficiencies of scale – global standardization; 2) multinational flexibility to local conditions – local differentiation; and 3) world wide learning – the global diffusion of innovation (Bartlett and Ghoshal, 2000: 241-242). Furthermore, these goals can only be achieved by leveraging and coordinating, to an unparalleled degree, the technical and environmental capabilities that exploit national differences and economies of scale and scope (Bartlett and Ghoshal, 2000: 247-251).

By combining and simultaneously balancing these three goals and means in what Bartlett and Ghoshal call a “transnational strategy” these firms will radically depart from existing strategies which were based on strengths and capabilities in only one or two of these three goal areas (Bartlett and Ghoshal, 2000: 253-255). These firms control their members’ activities primarily by means of social “clan” control as
opposed to traditional bureaucratic structural control (Ouchi, 1981), and yet some
types of structures must still exist in the transnational firm. Decentralized federation,
coordinated federation or centralized hub structures are present as an “administrative
heritage” and to provide a partial control solution (Bartlett and Ghoshal, 2000: 507-
512).

Even so, the primary control device in the transnational firm is not the
“anatomy” of organizational structure, but a balanced constellation of “anatomy”
(structure), “physiology” (informal networks of personal relationships) and
“psychology” (a shared organizational culture) (Bartlett and Ghoshal, 2000: 515-519).
Together, these dimensions form the “mind matrix,” the social control system, which
acts as the primary control device in the transnational firm (Engle and Stedham,
1998). International human resource (IHR) systems – can act as repositories and
levers to support cultural change in this gradual transition, first changing “individual
attitudes and mentalities,” then “interpersonal relationships and processes” and
finally, almost incidentally, “formal structure and responsibilities” (Bartlett and

Balance and Duality by Default

Bartlett and Ghoshal (2000) do an excellent job presenting the potential
strategic advantages of combining local customization with global standardization and
the diffusion of innovation, and so we will not repeat their argument here. To some
degree this balance is not only advantageous in response to strategic business needs,
but is also required given the innate instability of purely local, purely global and
purely innovative strategies, structures and forms of organizational control.
Recent research questions the reality and/or applicability of global standardization, or a single standard model of innovation diffusion (Doremus, et al., 1998) or even the idea of a stable local culture (Geary, 2002).

Doremus, et al., (1998) present data to support their contention that U.S., German and Japanese based multinationals (MNCs) (comprising the vast majority of all large global firms) so differ in their institutional foundations that these organizations, no matter how global they may appear at the surface, will always retain their unique, home-based characteristics. Underlying ideologies and political and economic institutions inevitably create systematically differing capabilities as a function of their region of origin.

Furthermore, even patterns of innovation vary systematically by country of origin, so that innovation focuses on “missions” (goals) that connect governments, businesses and universities for breakthrough research in the U.S., the U.K. and France while innovation in Germany and Japan is focused on “intra-industry linkages” with less of a governmental role as customer, leaving MNC’s based in these latter countries with a bias for and capability to “acquire and quickly adapt technology generated abroad” (Doremus, et al., 1998: 73). These differences in origins are said to result in systematic differences in “structure, trajectory and outcomes of national innovation systems” (73).

Geary (2002) argues through historical analysis that cultural identity is a more complex, pluralistic, and dynamic construct than many modern, self appointed leaders of nationalism try to lead us to believe. Supranationalistic professional, class, occupational, religious and economic factors may combine with regional and global immigration patterns to create a multidimensional sense of identity for millions of individuals.
In the same sense that a [functionalist a] could be a [culture i] and a [culture ii], so too, could a [functionalist b] be a [culture iii] and a [culture ii]. The two identities were not mutually incompatible, but circumstances could dictate which prevailed over the other.

(Geary, 2002:104-105)

Geary is speaking here of occupations and cultural regions in the fifth century Roman Empire, and yet the argument of duality is familiar to us in global HR today. Complex winds of cultural change are the status quo, not just the product of the last 50 years.

Much more recent cultural complexities, framed this time within the sphere of European unification, are presented by Tewes (2002) in an analysis of German political decision processes from 1983-1998. In this analysis, forces of regional European standardization (convergence and divergence) are not simple and unidirectional, but rather were a reactive set of incremental decisions.

Lacking a clear pattern of homogeneity and stability in a purely globally standardized or locally customized approach, the balanced triad of global standardization, local customization and the diffusion of innovation may be the most stable method for dealing with the instabilities described above. A balanced triad is not only strategically relevant it is also - perhaps more importantly given these uncertainties - more practical.

Critical to the successful implementation of the transnational strategy are the organizational qualities of providing speedy decisions in areas where conflict across subunits is likely (Galbraith, 2000). All too often, however, structural, financial and cultural control mechanisms are found lacking (Engle and Mendenhall, 2001).

**SELECTED IMPLICATIONS OF THE TRANSNATIONAL STRATEGY ON MACRO HUMAN RESOURCE ISSUES**
Given this review of the character, components and qualities in the transnational strategy, what are the implications for human resource management (HRM)? More precisely, what qualities or characteristics must HRM have at a firm pursuing the transnational ideal?

What macro qualities emerge – qualities related to what Schuler, Budhwar and Florowski refer to in a more general framework of international HRM in multinational corporations as the “issues” and “functions” – that when provided allow us to direct, position and maneuver HR activities in an ongoing balance between local customization and global standardization (in press: 7-9)? We can consider qualities at this macro level as defining the expected capabilities and providing the wider context for HRM.

At a second level, what micro level HR issues are critical to transnational strategy implementation? These ongoing and regular activities (e.g. human resource planning, decision support systems, recruitment and selection, training and development, compensation and benefits) provide the driving force behind the realization of a transnational strategy. Schuler, Budhwar and Florowski refer to these micro level issues as “policies and practices” (in press: 7, 9).

It is the combination of the direction, provided by macro HR qualities, and the drive, provided by micro qualities, that promises to at last make HR a true strategic partner in the transnational quest. This macro/micro schema is entirely consistent with Brewster, Larsen and Mayrhofer’s more general strategic HRM presentation of “direct participation of HRM in the formal strategic planning process”/”indirect process control” (with direct participation encompassing macro issues and indirect process control encompassing micro issues respectively), but the consistency in no way presumes equivalence of the two concepts (2000:45-48).
IMPORTANT IHR ISSUES ASSOCIATED WITH TRANSNATIONAL STRATEGIES

Wide vs. Narrow Understandings of Competing IHR Paradigms

First, our focus shifts to strategic and not comparative International Human Resources (IHR) as comparative IHR is now subsumed as a portion of the IHR capabilities (dealing with local customization issues). The locally customized element of the transnational triad of global standardization, local customization and the diffusion of innovation is in and of itself rich, dynamic and complex. If we are to understand the real task before us as IHRM/IPersonnel professionals then we in strategic IHR, and particularly we in US-based Strategic IHR, need to understand this body of literature and models (Brewster, June, 2003). Researchers of global firms must understand the true extent of the range of issues, paradigms and models across global environments.

Role Redefinition for IHR Processes

In the transnational firm HR replaces structure as the primary strategic control mechanism. The person and not the job is the appropriate primary unit of analysis and we change from "Strategy leads to structure, structure leads to jobs, and IHR ensures that job happen" to "Strategy leads to IHR competency capabilities and IHR capabilities lead to tightly integrated IHR processes" (i.e. Recruitment & Selection, Training and Development, HRIS, HR planning and Compensation and Benefits) (paraphrasing from Stedham and Engle, 1999).

Boudreau, Ramstad and Dowling (in press) present the criticality of persons in terms of "Global Talentship" while Nohria and Ghoshal (1997) talk about these issues in terms of the increased need for “interpersonal networks” as integration in their "differentiated network" analysis. Schuler et al., (in press) present these issues in
terms of an elegantly articulated ‘integrated framework” consisting of macro level “issues” and “functions” as well as micro level “policies and practices” and Galbraith (2000) talks about "coordination across networks." This lead role for integrated IHR processes is a significant role redefinition for IHR.

**IHR as an Integrative Process**

In transnational strategy, structure is not eliminated, but if plays a support role (see Egelhoff on redefining structure (2002)) to more flexible networking and integration mechanisms. The new, reversed relationship between structure and IHR's role is very interesting and raises an all-important question: “How can IHR directly provide the much-needed integration?” How can the IHR processes of recruitment and selection, training and development, human resource information systems, human resource planning and compensation and benefits focus more on integration requirements and less on vertical and horizontal differentiation issues?

**Socialization Towards Clan Processes**

A large number of theorists and researchers - from Bartlett and Ghoshal (2000) to Nohria and Ghoshal (1997) to Galbraith (2000) to Egelhoff (2002) - talk about the need to use cultural control/socialization (Ouchi's “clan control” 1981) rather than agency theory or external bureaucratic controls as the primary control technique in the complex, turbulent transnational world. How can IHR (throughout all its processes and not just the traditional cultural repositories of recruitment and selection and training and development) provide this indoctrination to cadres coming from very different functional, cultural, and technical backgrounds?

**Eclectic vs. Single Paradigm-based research Programs**

The time and place are opportune to call once again for a tolerance in methodology; or more specifically the call for being open to broadening our palette of
colors in the field of methodology, design and instrumentation (even to qualitative research – Joyce Osland’s research (1995) comes to mind - and even less Western ways of "knowing") (Mattl, 1999). If we can identify the attributes and qualities that make good research within each paradigm and then hold each particular research activity to the rigors of that particular paradigm of research, activities may be enhanced and the body of knowledge expanded more effectively. Again, Chris Brewster’s (June, 2003) comments on universalist and contextual methodology are very congruent with this idea.

Frame Development via Metaphor and Symbolism

Finally, how can IHR systems overcome cross-cultural, cross-functional and cross-product differences and provide a globally integrative system of communication and coordination? What imagery, strategy and practices can IHR provide to enhance this critical integrative “glue” (Evans, 1992)?

Communication across widely diverse units requires a powerful collective imagery, a shared set of potent institutional symbols and attendant media. Engle and Mendenhall (2001) focus on communication media in a presentation on the qualities of a transnational decision support systems (DSS): namely accessibility, timeliness, a balanced vision of the cultural, functional and product dimensions of IHR decisions, an acultural quality that minimizes biases for or against individual cultures, and flexibility of purpose.

Thus as IHRM researchers and practitioners we need to focus on developing and disseminating new “frames” – “ways of organizing and thinking about the world” and these frames “come best from interaction between practitioner and researcher” (Lawler, 1985: 10). Mitroff argues that metaphors are “the fundamental basis” of language and are primary tools to build understanding in the managerial sciences.

Gelfand and McCusker (2002) extend the significance of metaphors as applied to intercultural understanding. These metaphors are said to activate “sets of conceptual mappings” that are “selectively developed, activated and perpetuated through participation in social institutions and practices” (298). Asking transnational employees to extend their cognitive perspective beyond local cultural, functional or industrial parochialism requires “apperception” – “the cognitive process of making sense of something new based on what is known already” a process in which “correspondences are made between current and past experiences” (Gelfand and McCusker, 2002: 298).

Leaders in transnational firms must overcome the “mental sameness” that inevitably builds up within local units and build new, transnational metaphors and imagery. “[A]lthough shared conceptual mappings are implicit, they are created, perpetuated, expressed and institutionalized in various symbolic forms, such as language, laws, everyday routines and rituals, artifacts, etc.” (Gelfand and McCusker, 2002: 299). The manipulation of symbolic forms, through macro transnational contexts and micro transnational HRM roles and processes likely are keys to the successful implementation of transnational strategies.

The transnational decision support system as a “balanced spinning top” (Engle and Mendenhall, 2001) as well as the transnational role incumbents as “schools of fish” moving in a coordinated pattern through “widening career weirs” (Engle and Mendenhall, June, 2003) are examples of universal, acultural metaphors that strive to overcome the differences of academic and cultural socialization as well as language
differences within employees in a global corporate culture. A suite of IHRM imagery – connected to web-based information systems - has the potential to provide a significant source of the cultural “glue” required to build and maintain the mind matrix.

Once in place, these metaphors could provide “psychological functions” – contextualizing problem and task definitions, providing scripts and norms for interactions, as well as directing feelings by communicating ultimate and underlying performance standards, thereby strategically defining task success and failure (Gelfand and McCusker, 2002: 300). Such transnational metaphors could also provide “social functions” such as: 1) having diverse groups “operate unconsciously from the same metaphor. This is more likely when a cultural group relies on a single metaphor, derived from shared experiences;” and 2) “through the presentation of symbols. The communication of symbols through actions can help situate negotiators [i.e. cross unit members] in the same subjective reality, enabling concerted, organized social action” [our emphasis] – in a process of “co-orientation” (Gelfand and McCusker, 2002: 302-303).

By combining orchestrated organizational culture (leadership) with newly redefined transnational HRM contexts, roles and processes, firm decision makers can grow and foster a new, strategically relevant interactive context. It is this interactive context that creates the cultural attributes in play in any given task situation, not the person. Cultural attitudes are aroused and energized by context and metaphor and hence vary with context and not with person (Gelfand and McCusker, 2002: 312).

Having presented these six macro-level elements, we will now discuss three administrative roles associated with the transnational strategy and outline how micro-
level HR processes and practices may further these roles and otherwise drive transnational activities.

**TRANSNATIONAL ROLES**

Given the critical nature of individual attitudes and interpersonal relationships, Ghoshal and Bartlett (1997) present three new roles for transnational managers. These roles are operating level entrepreneur, senior management developer and top level leader. We will outline each role and present the attitudes, knowledge and skills required for each role.

**Operating Level Entrepreneurs**

These locally-embedded, “aggressive entrepreneurs” are responsible for creating and pursuing new opportunities, improving ongoing productivity in these “frontline units” by “doing more with less,” while “taking responsibility for continued growth through innovation” (Ghoshal and Bartlett, 1997: 214). These individuals operate at the local-national or regional (product/functional or geographic region) level and have primary responsibility for delivering the local differentiation capabilities to the transnational firm with a secondary responsibility for the diffusion of innovation activities (Bartlett and Ghoshal, 2000: 247-251).

**Senior Level Developers**

As supporting coordinators, these regional or global coaches must “provide support and coordination” as well as “bring the resources and experience of a larger company to bear on the smaller [entrepreneurial local or regional] units” (Ghoshal and Bartlett, 1997: 214-215). These “idea champion” managers provide personal and political support to new ideas, “leverage” entrepreneurial innovations across entrepreneurial units by “linking dispersed resources and transferring best practices across units” while coordinating the “inevitable tension between the pressure for short
term performance and the challenge of ambitious long term visions” (Ghoshal and Bartlett, 1997: 216). Much of their effort and time is spent as coaches and mentors, identifying, developing and supporting front line entrepreneurial talent. This group operates at the regional or global level and have primary responsibility for providing worldwide learning and the diffusion of innovation as well as secondary responsibility for buffering and balancing global standardization and local differentiation (Bartlett and Ghoshal, 2000: 247-249).

**Top Level Leaders**

These culture gurus are responsible for framing a sense of direction, gaining commitment to this direction form the other two groups and the rest of the organization and providing the firm with “the vision and vitality to move beyond refining its past achievements to developing the ability to continuously renew itself” (Ghoshal and Bartlett, 1997: 216). These charismatic leaders balance iconoclasm with trust building so as to “challenge conventional wisdom and established objectives, replacing them with higher standards” while “embedding corporate values that [support] cooperation and trust” and most importantly “create a sense of purpose and ambition that may [eventually] give rise to a set of strategic objectives but are more broadly defined’ (Ghoshal and Bartlett, 1997: 216).

These individuals operate at the global level and have primary responsibility for delicately balancing local differentiation, global standardization and the diffusion of integration, with a secondary responsibility for global standardization (Bartlett and Ghoshal, 2000: 247-251).

How then are these three roles to be supported by “IHR policies and processes” (Schuler, Budhwar and Florowski, in press: 9)? How do the micro level processes of planning, global competencies, decision support systems, recruitment
and selection, training and development, and total rewards balance activities so as to provide both global standardization and local customization, while simultaneously enhancing that personalized network of people that integrates and diffuses innovations across far-flung units.

SELECTED IMPLICATIONS OF THESE THREE ROLES ON MICRO HUMAN RESOURCE ACTIVITIES

As presented above, the micro transnational HR processes of planning (Stedham and Engle), decision support systems (Engle and Mendenhall, 2001), recruitment and selection, training and development and compensation and benefits (Engle and Mendenhall, June, 2003) are likely to be departures from existing IHR approaches and models. As an example of these potentially new transnational processes, we present a discussion of recruitment and selection activities for transnational roles.

What are the recruitment and selection implications of Ghoshal and Bartlett’s three transnational roles? What personality characteristics are of interest? Ghoshal and Bartlett’s list of the “attitudes and traits” held by successful Operating Level Entrepreneurs includes being “creative” and “intuitive”, “persuasive,” “engaging,” “competitive” and “persistent.” Requisite “knowledge and experience” is comprised of a “detailed operating knowledge of the business’s technical, competitive, and customer characteristics, knowledge of internal and external resources” and a “detailed understanding of the business operations.” Necessary “skills and abilities” include the “ability to recognize potential and make commitments, the ability to sustain organizational energy around demanding objectives” (1997: 221, 223-224).

The “attitudes and traits” required of successful Senior Level Developers are described as being “supportive, patient, integrative and flexible, and perceptive and
demanding;” while appropriate “knowledge and experiences” are described as “broad organizational experiences” comprised of a “knowledge of people as individuals and understanding how to influence them,” an “understanding of the importance of interpersonal dynamics among diverse groups” and an “understanding [of] the means-ends relationships linking short-term priorities and long-term goals.” Appropriate “skills and abilities” focus on developing “people and relationships” and the “ability to delegate, develop and empower;” the “ability to develop relationships and build teams” and the “ability to reconcile differences while maintaining tensions” (Ghoshal and Bartlett, 1997: 221, 224-225). Note this balanced duality - between short term issues and long term interests, between tension and reconciliation - is also central to Evans, Pucik and Barsoux’s presentation of “split egg” matrix roles for international HR managers (2002: 85-90).

Finally, Top Level Leaders are described as “institution-minded visionaries” whose “attitudes and traits” include “challenging, stretching,” being “openminded and fair” as well as “insightful” and inspiring.” “Previous knowledge and experience” puts a premium on “understanding [the] company in its context” and requires incumbents to have a “grounded understanding of the company, its business and operations;” an “understanding of the organization as a system of structures, processes, and cultures” and a “broad knowledge of different companies, industries, and societies.” Associated “skills” and “abilities” focus on the ability to balance “alignment and challenge” via an “ability to create an exciting, demanding work environment;” the “ability to inspire confidence and belief in the institution and its management;” and an “ability to combine conceptual insight with motivational challenges.” (Ghoshal and Bartlett, 1997: 222, 225-226)
Building on these insights, what specific work experience is germane to the various roles? In addition to the increasingly documented global issues of family and competency testing (Black, et al., 1999; Mendenhall and Oddou, 2000), how can we recruit and select based on an applicant’s “social capital” (Kostova and Roth, 2003; Raider and Burt, 1996)? How do we validly assess the applicant’s network of relevant “cadre” connections; connections that are both role specific and strategically relevant in terms of cultural, functional and product competencies available through this personal network? How do we conceptualize and measure these now-critical qualities?

As a starting point, a potential employee’s network of professional associates may be measured or evaluated along four dimensions. The first is the number of professional contacts (analogous to the number of bank accounts). The second is the quality of professional contacts (what is the relevance of these accounts) - how well a contact’s cultural, functional, product, and/or customer competencies relate to the strategic issues the potential employee is likely to encounter given his/her role and the firm’s strategy. A third is the intensity of the contacts (analogous to the balance in the account) – how willing is the contact to expend how much of his/her resources to respond to the potential hire’s inquiry or solve their problem. Finally, we submit the coverage of the contacts (analogous to balance or diversity in the potential employee social portfolio). Here we evaluate the total mix of professional associates as their competencies, in aggregate, relate to the strategic issues facing the potential employee.

**CONCLUSIONS**

Many of the qualities and prescriptions presented above are useful not only for fully nascent transnational firms, but are equally useful if firms are trying to use HRM
practices to enhance integration and coordination across differentiated geographic,
functional, product and customer units. We assert many of these “trans” (across)
“ergo” (therefore) macro level contexts and micro level practices are of immeasurable
value to firms that are not actively pursuing the transnational strategy.

By a “transnational school of human resource” we do not mean a hierarchical
command center, a judgmental academy, or a physical place, but rather a shared
collective vision of what IHR can grow into. It is seen as a school in the aesthetic
sense of the term - collective values and a commitment to transcend difference while
valuing and encouraging the contribution of those differences. It is, after all, the
academic version of those qualities of the transnational firm that brought us together
in curiosity and with that sense of adventure that is truly heroic.

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