

**MANAGING IN THE TWENTY-FIRST CENTURY:  
THE NEED FOR GLOBAL ORIENTATION**

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MANAGING IN THE TWENTY-FIRST CENTURY: THE NEED  
FOR GLOBAL ORIENTATION

In recent decades, the United States has been conceding its economic leadership to the Japanese in one industry after another - first it was steel, then automobiles, and most recently, banks. In 1985, Japanese banks overtook their U.S. counterparts as the largest international lenders. Japanese financial institutions are now the biggest and the most aggressive in the world. In 1986, due in part to the sharp appreciation of the yen, the per capita income in Japan exceeded that of the United States for the first time. More recently, the Japanese who were once averse to mergers and acquisitions, appeared to have shed this reluctance and have become avid and fast learners in the game of corporate takeovers. In 1985, the Japanese acquired some 31 foreign concerns;; this figure increased to 78 in 1986. Most of these acquisitions were of U.S. companies (Business Week, August 3, 1987).

In short, U.S. economic leadership has come under fire. In response to this situation, politicians, corporate executives, and educators alike have called for the formulation and implementation of strategies to meet these global challenges. "International competitiveness" has become the latest buzzword in Washington. Despite this campaign to foster international awareness and global competitiveness, an examination of recent developments in several areas appears to suggest that we may be adopting actions which are incompatible with the pursuit of global competitiveness. Consider the following situations:

Situation #1

In April 1987, the U.S. Government Printing Office issued a tender offer to purchase new machines to print U.S. passports. Only two firms responded to the tender offer - one Japanese and the other West German. The Japanese firm

won the contract. Now, U.S. passports, which are a symbol of our national identity, are being printed by a Japanese company simply because no American firm had bothered to submit a bid. This is incomprehensible since U.S. government procurement policy gives U.S. companies a 12 percent price spread advantage over non-U.S. firms. Can we blame the German or the Japanese firm for submitting a bid when none of our companies bothered to do so?

#### Situation #2

In April 1987, the Taiwan External Trade Development Council had to cancel a buying mission to the state of New York because of lack of interest from potential U.S. exporters. The Taiwan External Trade Development Council invited over 2,000 N.Y. exporters to meet with the members of the Taiwan buying delegation. Less than 15 firms accepted the invitation. It is difficult to conceive of this lack of export orientation when Washington has recently applied so much pressure on Taiwan to import more from the United States.

The above examples of lack of global orientation or international economic savvy are mind-boggling and incomprehensible. Are these examples sheer anomalies or are they representative of the nation's mentality toward the need for internationalization as a whole? How do senior corporate executives, people who help share our country's economic future and destiny, perceive this issue?

This paper seeks to shed light on this latter subject, namely to examine what American top management is doing or not doing to groom its heirs in the corporate world for the challenges of the global economic arena of tomorrow. The findings presented here are based on a larger study of management succession policies and practices among the top three levels of management in a sample of U.S. companies.

## SURVEY FINDINGS

### Methodology

A questionnaire was developed to measure four aspects of management succession policy and practice: selection criteria for senior management, management development for senior executives, performance evaluation of senior management personnel, and incentive programs for senior management. After pretest, the questionnaire was sent to executives occupying the top three levels of management in a random sample of U.S. firms. Usable responses were obtained from 123 executives or slightly over 10%.

The respondents came from a diverse range of industries and services, including banking and finance, communications, data processing, aerospace, apparel and textiles, automotive, chemicals, electronics, and manufacturers of building products. Most of the companies had annual gross operating revenues in excess of \$1 billion. The majority of respondent companies had experienced a healthy growth in sales over the past five years; furthermore, their company's sales performance has surpassed the industry average over the same time period.

Over one-half of the respondents (60.2%) have been with their present employer for 15 years or more and all have participated in promotion decisions to their current management level or the level immediately below their own.

### Criteria for Promotion/Recruitment

From a list of 14 criteria, respondents were asked to select and rank order the five factors considered most important in promotion/recruitment decisions at the senior management level. These 14 criteria were: Technical competence, interpersonal skills/team player, top management potential, visibility within company, visibility outside company, age, years in company, past performance as measured by ROI, past performance as measured by strong

leadership ability, managerial/administrative skills, open-mindedness, emotional stability, ability to make hard decisions which may be unpopular but which are in the best interest of the company, and international experience or perspective. Figure 1 presents the frequencies with which each criterion was selected as "most important" (i.e., a ranking of 1) in the promotion/recruitment decision.

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Insert Figure 1 about here  
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Over 93 percent of the respondents did not consider "international experience or perspective" as a criterion for promotion/recruitment into the ranks of senior management. A staggeringly low number of respondents included it in their pool of the five most important criteria. Specifically, 1.6 percent of the respondents ranked it third among their criteria, another 1.6 percent of the sample assigned it a rank of fourth and 3.3 percent of the respondents included it as the fifth most important criterion for staffing decisions into the ranks of senior level managements.

Over 80 percent of the respondents were satisfied with the current ranking of criteria for promotion/recruitment, and, consequently, had no intention of changing it in the future.

#### Management Development

The study then examined whether companies sponsored training programs to groom their candidates for top management positions, and if so, the nature of these programs. Over one-half (56.1 percent) of the companies offered formal programs to prepare prospective candidates for senior management positions. For those companies which provided such training, respondents were further asked to identify which of the following dimensions were emphasized in the

management development program (figures in parentheses indicate the frequencies with which an item was checked): Interpersonal skills (48.8%), functional skills (19.9%), leadership skills (52.8%), administrative/management skills (37.4%), and international perspective (9.8%).

This finding is consistent with the results obtained in Hildebrandt, Miller and Edington's (1987) seventeenth annual survey of corporate leadership. In their study, newly appointed corporate executives were asked to assess the importance of a wide range of business administration courses in preparing young people for a career in general management. The results of that study indicated that courses in business communication, finance, accounting, computer/information systems and marketing were considered to be among the most important for preparing a student for a career in general management. In contrast, courses in advertising, statistics and international business were among the least important subjects necessary for preparing young people for the challenges of a management career. According to the investigators, this overall profile has remained fairly constant over the past six years of the survey.

Globalization of the American economy challenges business and educational institutions to develop new skills, knowledge and insights. Business leaders need to know more about other cultures and value systems, other political and legal structures, and the philosophical and practical dimensions of the other national economic systems. Formal education including course work in international business, international relations, foreign language and area studies are some of the avenues by which students can come to learn about other cultures. Practical experience living and working in another country is another way that American business managers can come to understand and

appreciate the culture and value systems, the political and legal structure, and the economic framework of that particular nation. Perhaps an unexpected benefit is that by living and working abroad, the American expatriate is likely to learn more about the United States.

Among American managerial personnel, is an overseas assignment a common experience among senior corporate level executives in U.S. firms? According to Hildebrandt, Miller and Edington (1987), nearly one in five newly promoted executives has worked abroad, and that ratio continues to remain constant over the last several years. Furthermore, the authors report that the typical overseas assignment for Americans is approximately three years. One can conclude that among U.S. business leaders, overseas work experience is limited, of short duration, and relatively unimportant in the overall professional development of corporate leadership.

This lack of international orientation is antithetical to the practices in many leading European and Japanese multinationals (Tung, 1984; Tung, 1988). Given the smaller size of the domestic markets in Europe and Japan, a very heavy emphasis is placed on the company's international sales and operations. In some of the European multinationals studied by Tung (1988), she found that international sales accounted for between 95 to 98 percent of total company sales. This places "a very different tenor on where the important positions are", to quote a European executive.

Because of the importance assigned to the international marketplace, many European and Japanese companies tend to use expatriate assignments for overall career development purposes. In many companies which derive a significant portion of their revenues from abroad, only those with potential for senior management positions are sent offshore. In most of the companies studied, international experience is considered an important requisite for promotion to



top management. To quote the executive of National Westminster Bank, a major U.K. financial institution, "It is known throughout the company that once a person is selected for an overseas assignment, 99 percent of the time it is a promotion". Positions abroad are often viewed as exciting and challenging because a substantial portion of the company's revenue is derived overseas.

In fact, given the high cost of expatriation (typically two to three times base salary) and host government pressures for localization, many companies will refuse to send a person on an international assignment unless the individual is projected to reach an executive level position over the course of his/her career. An international assignment is thus used as a career development device. For example, in the Bank of Tokyo, the only Japanese bank authorized to deal in foreign exchange transactions until the liberalization of the Japanese financial market, a full one-third of their career staff are sent overseas for overall career development purposes (Yamaguchi, 1988).

This sentiment is very different from that prevalent in many U.S. multinationals, where employees avoid international assignments because of their concerns with repatriation and reabsorption into the corporate organizational hierarchy.

#### Incentive Package

Respondents were then asked to rank-order the importance of the following criteria in determining the size of an incentive package to retain personnel at the senior management level: Return on investment, leadership abilities, management/administrative skills, cost containment, increase domestic market share, stock price, and increase international market share. Figure 2 presents the frequencies with which each criterion was selected as "most important" in affecting the size of the incentive package.

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Insert Figure 2 about here  
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Again, not a single respondent checked "increase in international market share" as the most important criterion (i.e., a ranking of 1). In fact, 78.9 percent of the respondents did not consider this criterion at all in their determination of the size of an incentive package.

#### Functional Specialization

To shed light on which functional areas have facilitated upward career progression, the respondents were asked to identify the functional area in which they first started, the functional area in which they are currently employed, their opinion of which functional area allows for fastest career advancement, and in retrospect, which functional area would they concentrate if starting over. Figure 3 presents the frequencies of responses to these items.

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Insert Figure 3 about here  
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Again, a very small percentage of the respondents began their career or are currently employed in their company's international operation. Similarly, very few fast trackers consider an international career path as conducive to subsequent advancement in the corporate organizational hierarchy.

This finding is consistent with the data obtained by Moran, Stahl and Boyer Inc., a consulting firm in Colorado. In their study, they found that only 4 percent of the U.S. companies surveyed considered an overseas assignment as having "a positive effect on career advancement" (Wall Street Journal, June 30, 1987). This practice stands in stark contrast to the

policies espoused by many leading European and Japanese multinationals where an overseas assignment, particularly one to a major financial or commercial center of the world, is viewed as a strong cue for subsequent promotion in the organization. For example, it is generally known that the person who will ultimately assume the position of chairman of the board of a leading Japanese general trading company must have served previously in the firm's New York or London operation.

#### DISCUSSION

American executives are consistently ethnocentric in their approach to management succession and the development and implementation of policies, practices and procedures designed to support corporate management succession programs. Our research, as well as that of others, indicates that (1) An international perspective is not considered to be an important criterion for recruitment or employment in multinational corporations; (2) An international perspective is not considered to be an important criterion for promotion/recruitment to senior management positions; (3) An international career track is not perceived to be conducive to rapid advancement within the corporate management hierarchy; and (4) An increasing international market share is not considered to be of significant value to affect the size of an incentive package received by a senior executive. In light of these findings, is it realistic to expect our future executives to devise and implement strategies to meet the challenges of the global economic arena of tomorrow? It is our opinion that if American corporations fail to integrate an international perspective into their human resource management policies and practices, their ability to compete successfully in the global marketplace will continue to be encumbered.

While the findings of this study are limited by the relatively small sample size, they are in line with the data obtained by other researchers on similar themes. In short, it appears that despite the current recognition of the importance of globalization, American corporations and their leadership are not responding adequately to this need.

What has accounted for this state of affairs in the United States? The large land mass, the abundance of natural resources, and the fact that we have not suffered a major military defeat have lulled us into unhealthy complacency and self satisfaction. According to a number of British executives, the shift in economic and military power westward across the Atlantic after World War II forced most Britons to make a more pragmatic assessment of their nation's limitations and hence adopt a more realistic attitude overseas (Tung, 1988). Conversely, the military and economic strength of the United States have made Americans too complacent about their culture. American executives are, perhaps, the only ones in the world who can afford to be ethnocentric in their orientation. This self-satisfaction may often be interpreted as arrogance and thus arouse hostility and resentment among non-Americans. But can we afford to remain ethnocentric for long?

As noted at the beginning of the paper, there has been a rude awakening in one industry after another over the past decade. Recent developments have made us acutely aware of the need to internationalize in order to meet the challenges of the global economic arena. One of these challenges is the burgeoning incidences of global alliances and the need to contend with them. Global alliances take one or more forms, including joint ventures, co-marketing, co-production, joint research and development, and other forms of economic cooperation.

A review of the strategies pursued by the most successful multinationals reveals just that - industry giants such as IBM, Boeing, General Motors, Nippon Telegraph and Telephone (Japan), and Philips (Netherlands), which were once strongly opposed to cooperative ventures with other entities (whether domestic or international), have been quickly sewing up such deals. In 1985 and 1986, it was estimated that more than 1,000 cooperative arrangements were signed between U.S. and European companies. In a May 18, 1987 article in Business Week entitled "Hands Across Europe: Joint ventures will help companies compete against Japan and the U.S.", it profiled the wave of mergers that swept across Europe. The article went on to state: "There are signs ... that the old bugaboo of each country, insisting on having its 'national champion' in sexy high-tech areas is breaking down". The Single European Act of July 1987 - which provides for the elimination of all remaining barriers to the free movement of capital, goods, services, and people across the European Economic Community countries by end 1992 - will certainly accelerate this development.

What has accounted for this new development? The reasons appear to be three-fold: First, the economic imperative. Many companies simply may not possess the financial capabilities to go it alone. Second, the technological imperative. With the convergence of technology, many companies find that it is necessary "to integrate a full line of products, rather than ... selling one stand-alone machine" (Wall Street Journal, June 1, 1987). Third, the globalization of world markets. Kenichi Ohmae has dubbed this phenomenon as the "triad market". In his opinion, the combined populations of the industrialized countries (U.S., Japan, and West Europe), 600 million in all, constitute a single market. While one can challenge Ohmae's assertion that consumers' lifestyles and aspirations across countries are essentially

similar, it is nonetheless true that "cooperation and interdependence, not conflict and independence, are prerequisites for survival" (Ohmae, 1987, p. 128).

The burgeoning incidences of global alliances have placed even greater pressure on U.S. corporations, which are presently operating in isolation, to seriously consider the formation of such strategic linkages. Otherwise, they may be left out of the race.

Before American businesses can benefit fully from this new calculus of global competition, it is important for U.S. corporations and their managements to develop an understanding of what a global orientation means to them and to their ability to compete in the global marketplace. Development of a global orientation within the firm provides a new and powerful way for managers to cope with the complex set of market interrelationships, to understand clearly who the firm's competitors (foreign and domestic) are, and to design a framework for responding effectively to the varied needs and demands of customers, regardless of where they are located. American business is entering a new age of competition and the more traditional models for ordering the world will contribute little to organizational survival and success.

The process for developing a rigorous definition of globalization and the consequent global orientation will be difficult, but the outcome will be exceedingly valuable to the firm and its decision making processes. It is essential that management commit its time and efforts to this critical challenge because if management refuses to develop and/or accept a global orientation, the consequences of such a decision augurs ultimate doom or marginality for the firm. What are some of the steps that might be taken to develop and incorporate a global perspective into the organizational fabric?

There are at least three levels of activity to be considered. First, from a strategic as well as philosophical perspective, the firm must assess the extent of its global activity. That is, the range of its international markets and the interrelationships between markets. In addition, the firm must come to understand who its competitors and customers are, and how they impact the firm's competitiveness in the global marketplace. One outcome of this activity is that management may discover that its traditionally accepted domestic markets are no longer insulated from foreign competitors or the demands from customers whose operations are located in other parts of the world. For example, the firm's customers may be engaged in global competition, too, and consequently, its global orientation is expanded to include the means for meeting customer requirements as well as the means for competing successfully in foreign markets or with foreign companies in domestic markets.

As a caveat, the globalization process will be company and individual specific. For instance, there is likely to be wide diversity among a company's executives concerning the meaning of global perspective, and within a diversified corporation, global orientation and the globalization process may produce different interpretations and applications.

At the second level, responsibility for implanting and nurturing the globalization process rests with the corporation's leadership, and they must demonstrate a commitment to a global orientation in their planning, decision making and communication of this perspective to other members of the firm. The consequences of the global orientation will be manifested in their employees and their integration of this perspective into their daily business activities.

At the third level, human resource policies, programs and practices are important tools for developing and maintaining a firm's global orientation. Traditionally accepted programs including management succession planning, executive development and management training and corporate promotion activities can be administered in such a way as to reinforce a firm's global orientation. The task of developing employees who will possess international expertise and a global orientation can be achieved by several different means. One way to develop a global orientation is through the firm's executive and management development programs by offering workshops in which there is a focus on live international business problems and a mixture of various nationalities coming from the firm's overseas subsidiaries.

Another means is the establishment of improved linkages between corporations and business schools. The complex demands on managers and entrepreneurs to meet the new global challenges cannot be met with resources only within the business community. Colleges and universities have important resources and expertise which should be drawn upon in the education of future managers within the ranks of students and enhancing the global sensitivity and abilities of practicing managers.

The strategic use of the overseas assignment is another method for sensitizing employees to the complex demands existing within an international market. What is it about the foreign assignment that enhances the global perspective of the employee? The foreign assignment can be viewed as an integral staffing decision that impacts the firm's management development and succession programs, and it can contribute to the establishment of a management cadre responsive to the complexities of global competition and the importance of a global orientation to the marketplace. Experience managing in a foreign culture exposes the expatriate to the challenges of living in a



different culture, coping with values that may be quite different from one's own, reconciling demands among customers or clients who are engaged in global competition too, competing successfully with foreign and local competitors, adjusting to host country legal, political and economic systems and responding simultaneously to the demands of the parent corporation.

The foreign assignment can be interpreted as an important linking pin binding corporate and business strategy and the firm's human resource policies and programs. According to Edstrom and Galbraith (1977), multinational corporations transfer parent country managerial personnel overseas for at least two reasons: (1) Development of expatriate managers for positions of increased responsibility within the parent organization or its international operations; hence, the overseas assignment becomes the basis for broadening the expatriate's organizational perspective as well as testing the expatriate's ability to manage in a foreign environment. (2) Firms are concerned with organizational development, and the foreign assignment represents an arena in which this can occur. Transfers to overseas locations are used as a means of modifying and sustaining an organization's structure and decision processes, and an organization utilizing such a strategy does so for purposes of obtaining decentralized coordination. The end result is the development of managerial and executive personnel who have varied overseas experiences, who are capable of introducing and maintaining a global orientation and who can serve as rich communication links within the firm.

The foreign assignment can be integrated into the firm's management succession program, its management development program and promotion ladders. Serving abroad generally requires the expatriate to (1) make decisions on his/her own; (2) accept responsibilities generally unavailable to his/her peers within the domestic operation of the parent company; and (3) accept the

risk of failing on an important assignment. The degree to which the expatriate successfully fulfills these requirements provides the corporation with valuable information about his/her potential to advance up the managerial hierarchy.

Simultaneously, the foreign assignment can be used to help develop the employee in ways that will prepare him or her for future assignments within the corporation. It can be designed in such a way as to help strengthen an employee in those areas where he/she is weak or where he/she needs additional exposure and experience before moving into other positions within the corporation. It is essential that the firm use the foreign assignment judiciously for the benefit of the organization and the individual. No longer can assigning employees to overseas locations be made indiscriminately.

One of the unexpected results of the foreign assignment is that the expatriate is likely to learn something new about his/her culture and the corporation that he/she works for. In other words, because of the overseas assignment, the returning expatriate is likely to be a different employee from the one who was posted to the foreign location.

Surprisingly, repatriation of employees represents an untapped source of knowledge and experience that cannot be overlooked. The former expatriate can contribute significantly to the development and implementation of the globalization process. Having served overseas, having become involved with a complex set of relationship between the parent organization and its overseas operations combine to make the former expatriate a valuable source of information and experience that must be factored into the globalization process.

Globalization of the American economy challenges business leaders to learn new skills and acquire new knowledge and insights about the world in

which they compete. American entrepreneurs and managers are being asked to develop a global view of the world in which they live and compete.

Unfortunately, our data suggest that U.S. corporations and their leadership are still ethnocentric in their view of the world, and, hence, little has been done to meet the challenges of globalization. If firms are to compete successfully in the global marketplace, now is the time for them to become involved in the globalization process. In this article, we have suggested several activities that management can undertake in order to meet the global challenges of tomorrow.

ENDNOTES

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FIG. 1: THE MOST IMPORTANT CRITERIA FOR PROMOTION/RECRUITMENT

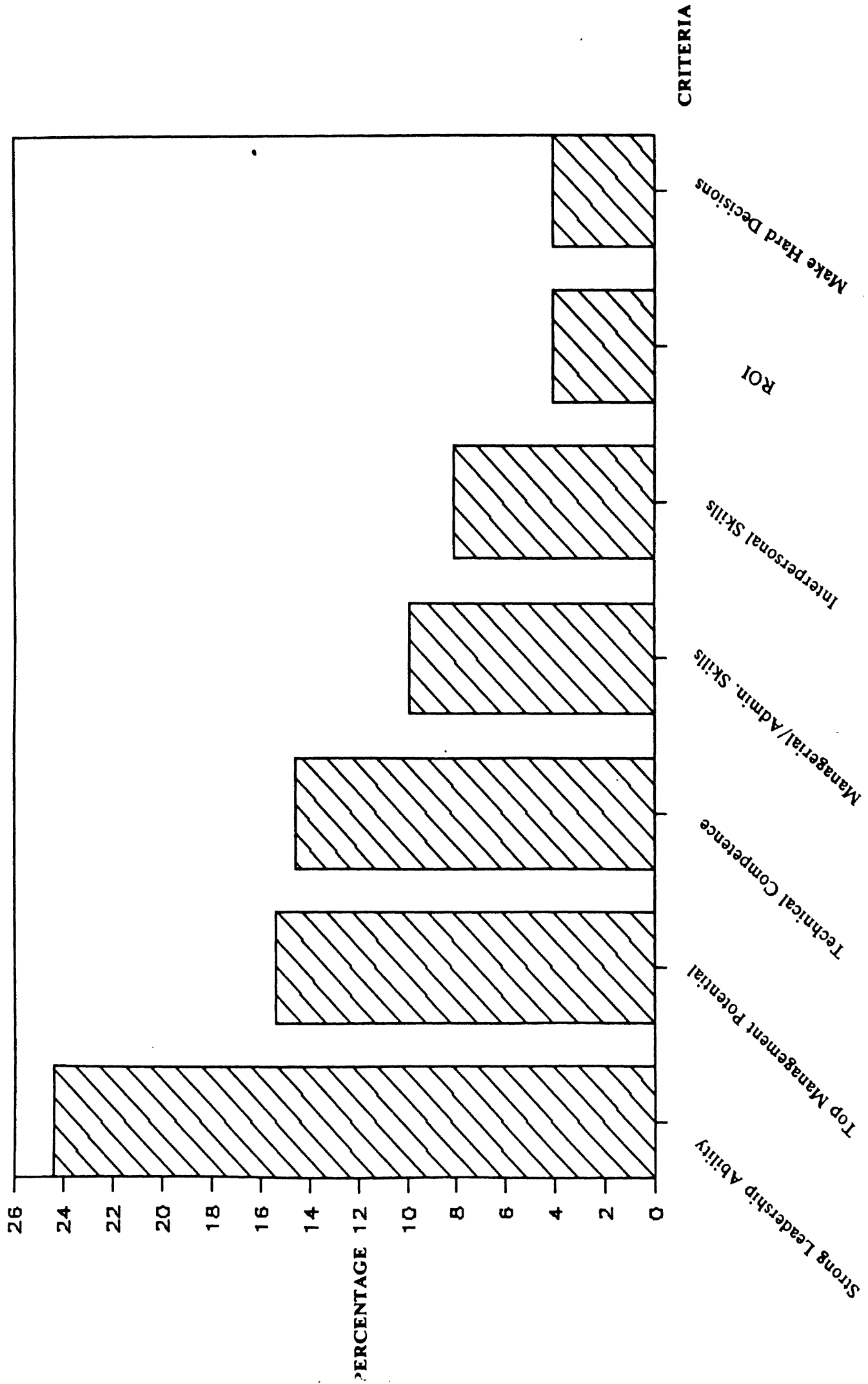


FIG. 2: THE MOST IMPORTANT CRITERIA FOR DETERMINING SIZE OF INCENTIVE PACKAGE

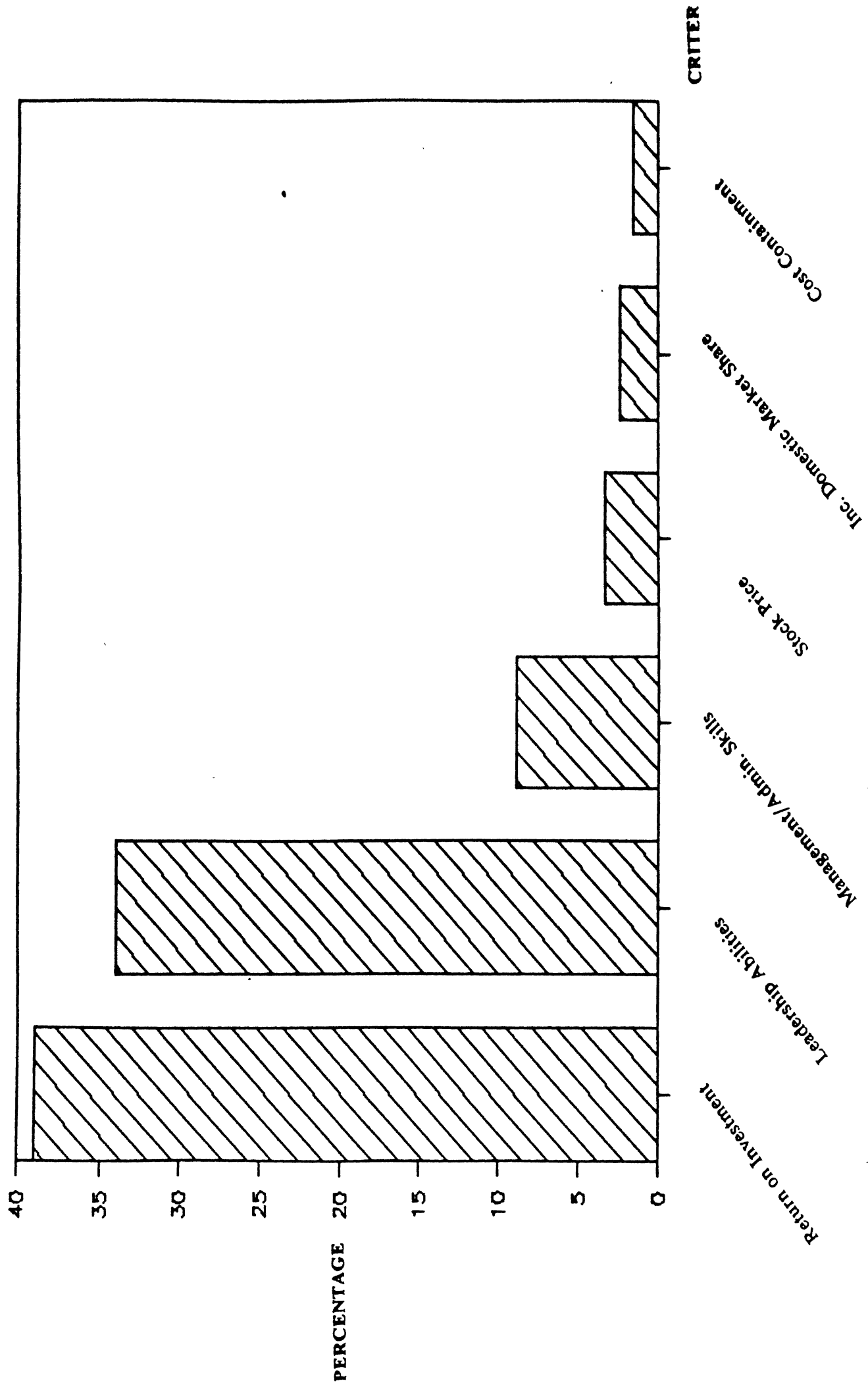


Figure 3 Functional Specialization

	Production/Operations	Marketing/Sales	Financial/Accounting	Human Resources/Industrial Relations	Research and Development	Law	General Management	Computer/Information	International Operations
In which functional area ...was your first job?	-	18.7%	8.1%	30.1%	5.7%	4.1%	4.9%	3.3%	0.8%
Are you currently employed?	2.4%	-	0.8%	6.1%	1.6%	0.8%	32.5%	0.8%	0.8%
Is upward progress fastest?	14.6%	35.0%	10.6%	11.4%	1.6%	1.6%	11.4%	1.6%	2.4%
Would you concentrate if ...starting over?	10.6%	26.0%	11.4%	24.4%	4.1%	6.5%	9.8%	2.4%	4.9%