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Global managers? Meeting the Transnational Challenge: An Investigation into the Development of Transnational Competencies in the New Zealand Finance Sector

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This research focused on the New Zealand finance sector and was designed to answer questions about the preparedness of executives to manage transnational companies, and about the level of capability of firms' human resource systems of recruiting, developing, retaining and using globally competent managers and executives.

The data were obtained via semi-structured interviews with the human resource director and/or with senior managers from each organization, who were actively involved in the change process. The questions were designed to test for the presence of variables consistent with Adler and Bartholomew's (1992) representation of a transnational manager.

The research revealed a significant gap between the level of knowledge, skills and abilities of the managers in this sector and those required of transnational management.

Keywords: *transnational competencies, human resources, finance sector*

In 1984, the New Zealand finance sector was deregulated and in response to the newly created competitive environment, underwent a period of strategic change never before experienced in the sector's history. Since that time insurance companies have demutualized, new companies have entered the market, banks have entered the insurance market and insurance companies have entered the banking market.

New Zealand has not been immune from the changes impacting upon the finance sector throughout the world. Globalization, economies of scale, cost reduction and the need to access new markets, especially those of Asia Pacific, are driving the changes in the environment. Global firms, with complex financial and corporate structures, have emerged as dominant players and are now doing business in the New Zealand market.

When commenting on the implications of the globalization of operations, Adler and Bartholomew (1992) said that the strategy (the *what*) is globalizing faster than the implementation (the *how*) and much faster than the individual managers and

executives themselves (the *who*). Further, Evans, Doz and Laurent (1989) believed the challenges are not the *whats* of what-to-do, which are typically well known, but rather the *hows* of human resource management (HRM) in a global firm.

Unless those in key management positions are highly skilled and knowledgeable, companies cannot respond to the new challenges they face. Yet, little attention has been devoted to the study of these changes on the roles and responsibilities of those who manage today's MNCs.

Adler and Bartholomew (1992) asked the following questions:

- How prepared are executives to manage transnational companies?
- How capable are firms' human resource systems of recruiting, developing, retaining and using globally competent managers and executives?

These are the questions driving the research presented here. The research was not an attempt to replicate Adler and Bartholomew's work, but rather an attempt to identify the stage of development the sector is at in New Zealand. Anecdotal evidence and experience suggested that the human resource functions have not kept pace with the business strategy. Therefore, this research used a critical incident format to examine the skill sets/orientations of New Zealand managers now, against what will be needed in the future for successful transnational management. All the companies in the research had explicitly stated global strategies; therefore, it follows that human resource strategy should support these corporate strategies and the managers in these companies have the knowledge, skills and abilities to manage in this global environment.

This study addressed the central issues that are specifically encapsulated in table 1. Table 1 illustrates Adler and Bartholomew's (1992) seven transnational skills considered necessary to manage effectively in a global environment. It also illustrates the differences between the skill set and culture profile of the traditional international manager and those perceived to be needed of the transnational manager.

Companies can be said to have certain strategic predisposition to how they develop their human resource policies and practices. Hodgetts and Luthans (1999: 253) defined these as ethnocentric, polycentric, regiocentric, and geocentric or transnational predispositions.

Ethnocentric predisposition allows the values and interests of the parent company to guide the strategic decisions. It is usually considered to be a very nationalistic philosophy where the parent company's systems and processes are seen as the 'best way'. With regard to human resource strategy, this usually means that parent-country nationals staff subsidiaries and parent-country values and practices prevail.

Polycentric predisposition strategic decisions are tailored to suit the cultures of the countries within which the MNC operates. Therefore, while host-country staff manage the subsidiary, it is highly unlikely that these staff will move to high-level positions in head office.

Regiocentric predisposition is a philosophy of management where the company attempts to blend its own interests with those of its subsidiaries on a regional basis.

Geocentric or transnational predisposition is a philosophy of management where

Table 1 The skills of the transnational manager

| <i>Transnational skills</i> | <i>Transnationally competent managers</i> | <i>Traditional international managers</i> |
|-----------------------------------|---|---|
| Global perspective | Understand worldwide business environment from a global perspective | Focus on a single foreign country and on managing relationships between headquarters and that country |
| Local responsiveness | Learn about many cultures | Become an expert on one culture |
| Synergistic learning | Work with and learn from people from many cultures simultaneously Create a culturally synergistic organisational environment | Work with and coach people in each foreign culture separately or sequentially Integrate foreigners into the headquarters national culture. |
| Transition and adaptation | Adapt to living in many foreign cultures | Adapt to living in a foreign culture |
| Cross-cultural interaction | Use cross-cultural interaction skills on a daily basis throughout one's career. | Use cross-cultural interaction skills primarily on foreign assignments |
| Collaboration | Interact with foreign colleagues as equals | Interact within clearly defined hierarchies of structural and cultural dominance |
| Foreign experience | Transpatriation for career and organisation development | Expatriation or inpatriation primarily to get the job done |

Source: Adler and Bartholomew (1992)

the MNC attempts to integrate a global systems approach to decision-making. With regard to human resource practices, the best policies from around the world are incorporated into the HRM strategy.

TRANSNATIONAL MANAGEMENT

As competition continues to increase and product lifecycles shorten dramatically, firms have found it necessary to compete globally, certainly in the finance industry. The situation has led to an increasingly complex web of strategic alliances, based simultaneously on state-of-the-art top-quality products and services and least cost production.

Bartlett and Ghosal (1989) contend that in the twenty-first century, companies, instead of demanding:

- efficiency *or*
 - responsiveness *or*
 - the ability to develop and exploit knowledge for success,
- should have all three capabilities.*

To achieve this, Bartlett and Ghoshal advocate that companies adopt the *transnational model of organizational structure* as they move into the twenty-first century. The transnational structure will consist of a core of people with long experience in it. The firm invests considerably in the employee and vice versa. There

is considerable flux within the organization and in order for internalization of norms to take place, a great deal of rotation of personnel and international travel and postings is necessary (Hedlund, 1995). Phatak (1995: 3) defined transnational management as:

a process of accomplishing the global objectives of an organisation by efficiently co-ordinating the procurement, allocation and utilisation of the human and physical resources of the organisation and maintaining the organisation in a state of dynamic equilibrium within the global environment.

Nankervis (1999) supports the assertion that the transnational form of organizational structure maximizes global efficiency and local responsiveness. Dowling and Schuler (1990) believed that if senior management does not have a strong transnational orientation, the importance of transnational operations is likely to be under-emphasized and that managers may tend to focus on domestic issues and minimize differences between global and domestic environments. Consequently, there is a strong implication that the transnational management be accompanied by effective global leadership.

Global Leadership

The meaning of the word 'leader' has the sense of someone who sets ideas, people, organizations and societies in motion, someone who takes the worlds of ideas, people, organizations and societies on a journey. To lead such a journey requires vision, courage and influence (Adler, 1997: 173). Adler (1997) argues that transnational leadership theory is concerned with the interaction of people and ideas among cultures—that transnational leadership is not merely an extension of domestic or multinational leadership.

Writers such as Adler and Bartholomew (1992), Hedlund (1995), Bartlett and Ghoshal (1989), Phatak (1995) and Dowling and Schuler (1998) believe that having global, cross-cultural leadership skills are more crucial to success than the traditional national management style. Global leadership involves the ability to inspire and influence the thinking attitudes and behaviour of people from around the world. Global leadership can be described as 'a process by which members of ... [the world community] are empowered to work together synergistically toward a common vision and common goals ... [resulting in an] improvement in the quality of life' and for the planet (Hollander, 1985:8).

Transnational leaders, unlike domestic leaders, address people worldwide. For instance the secretary general of the United Nations cannot change his message for each of the UN's more than 100 member states. Similarly, the CEO of a transnational company cannot change her message for each of the countries and cultures in which her company operates (Adler, 1997).

Kedia and Mukherji (1999: 232) believe that 'a global manager is one who has reorganized his or her way of thinking. Thus to be globally competitive global managers need to have an openness that allows a global mindset to form, evolve, and develop'.

Therefore, to succeed in the global operating environment of the early twenty-first century, managers must be able to sense and interpret complex and dynamic environmental changes. They must be able to develop and integrate multiple strategic capabilities as well as build and manage complicated new organizations. At the same time they must link these sensing and response capabilities and deliver co-ordinated action on a worldwide basis (Bartlett and Ghoshal, 1989).

Human Resources Management Role

The human resource management role is critical in any major company moving towards globalization. Duerr and Roach (1973) made the point that virtually any type of global problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's transnational growth.

Various forces may dictate a global strategic imperative. However, implementation and thus the attainment of that organizational strategy may be constrained, even prevented, by internal factors. One potential impediment is the corporation's ability to develop the transnational team of managers, which forms the backbone of a global organization (Welch, 1994).

The globalization of human resource functions has more to do with states of minds and mindset than with behaviours (Laurent, 1986). Hedlund (1995) believed that management development activities should be seen as a primary instrument to build a corporate culture and formulate and disseminate strategies. Michael R. Losey (1993), president and CEO of SHRM Ltd (an American organization working in the human resource field), believed that global sensitivity is a necessary attribute of transnational managers and that the lack of global experience and perspective among HR executives could have profound implications. The strategic nature of human resource management means it has a role to play in improving mindsets, behaviours, management development activities, corporate culture, global sensitivity, and global experience.

Human resource policies will be influenced more and more by conditions and practices in other countries and cultures. Failure to move away from the assumed dominance and/or superiority of existing business practices will not allow the profession to anticipate the changes and implement appropriate and effective strategies.

Adler and Bartholomew (1992) stated that there were three key components of a transnational human resource system: transnational scope, representation, and process.

Transnational scope is the geographic context within which all major decisions are made. To achieve global scope, executives and managers must frame major decisions and evaluate options relative to worldwide business dynamics. Moreover, they must benchmark their own and their firm's performance against world-class standards.

Transnational representation refers to the multinational composition of the firm's managers and executives. To achieve transnational representation, the firm's portfolio of key executives and managers should be as multinational as its worldwide distribution of production, finance, sales and profits.

Transnational process reflects the firm's ability to effectively include representatives and ideas from many cultures in its planning and decision-making processes. Firms create transnational process when they consistently recognize, value and effectively use cultural diversity within the organization. Cultural synergy requires a genuine belief that more creative and effective ways of managing people could be developed as a result of cross cultural learning.

According to Phatak (1995), to operate as a truly geocentric company a multinational firm must have geocentric managers. That is, it must have competent and mobile managers with an open disposition, high adaptability to different conditions in their various assignments, and constantly ready to be transferred from one country to another.

When a company globalizes, it is a unique opportunity for human resource practitioners to be involved both strategically and operationally. Human resource practitioners must learn to use opportunities such as this to make the company culture global. Human resource management must also learn the cultural climate of the countries to which the firm will be going and assess whether the company will fit in with those cultures. They can position how the company will present itself internationally (Anfuso, 1995). Anfuso (1995) also stated that from the first hint of the possibility of going overseas, those in human resource roles have to position themselves to be part of the move and be a strategic partner. Human resource management practitioners should not be bought in at the last minute to fix problems if and when they occur.

The Development of the Transnational Manager

The key question for human resource management operatives is to determine how the discipline can prepare for the functions needed in ten years time when it cannot with any assurance describe what these will be (Van Houten, 1989).

Writers such as Adler and Bartholomew (1992), Rothwell (1992), Antal (1993), Phillips (1993), Allard (1995), Kedia and Mukherji (1999) have argued that transnationally competent managers need a broader set of skills than traditional international managers. In particular, managers require competence in languages and wide-ranging experience across many cultures. Allard (1995) outlined a study conducted in Brussels by Perl and Hinckley who found that American and British managers felt that language ability 'was useful but not essential'. However, managers whose native tongue is not English emphasized the importance of speaking more than one language.

Phillips (1993) felt that there was essentially little difference between the personal qualities required for success in managing domestic and global businesses. However, successful development and growth of global business demands a higher level of certain skills and qualities than in the domestic market.

The ability to handle these personnel skill issues is similar but at a higher proficiency level than that required of any good manager, and this applied to spouses and families as well (Allard, 1995).

Black and Gregersen (1999) identified core knowledge, skills and abilities of

transnational managers in companies with demonstrated success in this area. Although Black and Gregersen (1999) refer to them as international management skills, they are consistent with Adler and Bartholomew's transnational skills. Black and Gregersen's international management skills are:

1. *a drive to communicate*—people who are successful do not give up after early attempts either fail or embarrass them; employees who are both enthusiastic and extroverted and not afraid to try out their fractured French or talk with someone whose English is weak;
2. *broad-based sociability*—successful global managers establish social ties to the local residents;
3. *cultural flexibility*—the most successful managers willingly experiment with different customs;
4. *cosmopolitan orientation*—managers who understand intuitively that different cultural norms have meaning and value and respect these diverse viewpoints;
5. *a collaborative negotiation style*—which can be important enough at home becomes absolutely critical internationally.

Despite the differences between firms as to the reasons for globalization, transnational managers do have training needs in common (Rothwell, 1992). These training needs are:

- experience of living and working abroad;
- cultural awareness and interpersonal skills;
- knowledge and information.

Laabs (1993) noted that transnational management teams are not built in a day; it takes careful planning and constant attention to yield the employees that support and grow a business successfully from one decade to another.

In conclusion, the capability to operate effectively in a global environment requires two things. It requires a management cohort with the requisite transnational competencies. It also requires that the organization have an ongoing capability built into the human resource system to acquire and develop transnational management competency over time. This research sought to test for these two capabilities within a very competitive and global industry. Specifically, it sought to test the extent to which the finance industry has acquired and developed managers with transnational skills and competencies.

RESEARCH

Methodology

The research was conducted in early 1999, and was exploratory research designed to answer the following questions:

- How prepared are executives to manage transnational companies?

- How capable are firms' human resource systems of recruiting, developing, retaining and using transnationally competent managers and executives?

An attempt was made to focus upon those companies that had undergone a significant change process. A significant change process is defined as merger/acquisition demutualization or global restructuring.

The data were obtained via semi-structured interviews with a human resource director and/or senior managers, from each organization. Each interviewee was actively involved in the change process. Questions were designed to test for the presence of variables that accorded with Adler and Bartholomew's (1992) representation of a transnational manager.

Sample

A sample of managers from companies in the New Zealand finance sector was obtained. 'Finance sector' was given a broad definition. It encompassed firms engaging in banking, insurance and financing or lending. In the reality of the contemporary environment the differences between these three operations are difficult to define. In six companies, two managers from each were interviewed in order to obtain a more representative sample. In addition, two human resource consultants who were actively involved in the recruitment of executives at the top two levels of management were interviewed. This was done in order to obtain an impartial third party view of the organizations involved. The interviews of the consultants did not contribute to the reported data. They merely assisted with enhancing the reliability of the emerging findings. A total of eight companies participated in the study giving a total of 14 interviews. These eight companies comprised the major institutions remaining following the merger and acquisition activity. All but one were foreign owned and had their corporate headquarters offshore.

The duration of the interviews varied from one to two hours. During each interview information was sought on the reasons for the merger/acquisition, or change process, the integration planning, the involvement of the HRM department and the skills, experience and training received by the executives involved in the program. Underlying all the questions was an attempt to ascertain the level of transnational knowledge, skills and abilities of the managers who were to operate in the new organization.

Analysis of the demographic data identified in the profiles is set out in table 2. All positions reported directly to the New Zealand chief executive, except in one case where the respondents reported directly to the general manager responsible for their particular business line. Only one manager of all those interviewed spoke a language other than English. This manager was the only person to have had what could be considered international experience and the language was that of the country of posting. The highest level of qualification held was at Masters level. The younger respondents had the higher levels of educational qualification. Only one respondent, the eldest and longest serving, held industry-specific qualifications.

Table 2 Demographic characteristics of sample

| <i>Identified age groupings</i> | | <i>Identified gender breakdown</i> | |
|---------------------------------|----------------|-------------------------------------|-----------------------------|
| <i>Age range</i> | <i>Numbers</i> | <i>Male</i> | <i>Female</i> |
| 25–35 | 2 | 9 | 5 |
| 40–45 | 6 | | |
| 35–40 | 3 | | |
| 45–50 | 2 | | |
| 50–60 | 1 | | |
| | | <i>Identified ethnic background</i> | |
| | | <i>NZ European/European</i> | <i>NZ European/NZ Maori</i> |
| | | 13 | 1 |

Data

All the semi-structured interviews were taped and care was taken to avoid leading questions. The interviews were fully transcribed initially. As the categories became saturated the interviews were taped only and notes taken from these tapes were combined with the fieldnotes taken throughout the interview and used as a record. All written memos and notes were written up at the time of the interview or immediately thereafter.

Data Analysis

Interview transcriptions were then analysed qualitatively and thematically. In conjunction with memos made throughout the interview, the transcriptions were used to identify the categories that emerged from the content of the interviews. These emergent categories were then compared with the skills of transnationally competent managers and traditional international managers (Adler and Bartholomew, 1992). These skills are set out in table 1.

Initial stages of grounded theory analysis (Glaser and Strauss, 1967) were undertaken in an effort to identify the trends. These stages are:

- initial data collection;
- open coding;
- theoretical sampling and selection sampling;
- comparison of categories;
- saturation of categories.

The full grounded theory method goes on to undertake theoretical coding with the aim of generating high order categories, basic social processes and integrative theory. However, as the aim of this research is theory testing, not theory development, it was not necessary to pursue data analysis with such a level of rigour, complexity or depth.

Discussion and Findings

No value judgements were made as to the appropriateness of the level of skill or stage of orientation toward the global environment that managers had reached. The study was an attempt to identify the gap between the ideal and the reality, and if

possible to identify any blockages preventing managers from achieving the transnational level. The seven transnational skill dimensions are now addressed in turn.

Global Perspective

Transnational managers must understand the worldwide business environment from a global perspective. Unlike expatriates of the past, the transnational managers are not focused on a single country or limited to managing relationships between headquarters and a single foreign subsidiary (Adler and Bartholomew, 1992).

Managers in the New Zealand finance sector conformed to the skill profile of the traditional international manager. Any international orientation was geared mainly towards Australia. Where the major shareholder was a non-Australian parent there was a stronger orientation toward this country. The focus was very much on managing/negotiating the relationships between the demands of head office and/or the major shareholder and the demands of the stakeholders in the New Zealand office. In one representative instance where the major shareholder was a non-Australian, the orientation was still very much toward the Australian head office. This indicates that despite several years with this parent, the New Zealand branch had not shifted its thinking to a more transnational perspective. The same was found in all the organizations surveyed.

Local Responsiveness

Transnational managers must learn about many foreign cultures' perspectives, tastes and trends, technologies and approaches to conducting business. Unlike their predecessors they do not focus on becoming an expert on one particular culture (Adler and Bartholomew, 1992).

In this area the entire sector has very much a domestic orientation. There was little if no evidence of a consistent attempt to learn about one other culture, let alone to become an expert in many. In very few cases was there recognition that Australia is a different culture. Generally most people focused on New Zealand, with Australia being the only country that is seen as needing some form of responsiveness.

There appeared to a recognition of the value of the overseas experience (OE) that many young New Zealanders obtain. However, it was seen very much as a negative for most companies because of the resulting loss of staff. No companies reported attempting to leverage some strategic advantage from or the proactive development of the concept of overseas experience. Overseas experience in New Zealand is such an integral part of the New Zealand psyche that:

In New Zealand or Australia, one does not say 'overseas experience' one says simply O.E. or affectionately, 'the big O.E.', because everyone knows what it means. Every year thousands of young people head overseas for a prolonged period of travel, work and tourism. (Inkson et al., 1997)

This experience was seen as a negative by most respondents, in particular being the reason for the loss of young people after 2–3 years of work. For example, one

senior manager from a company that had been through two mergers said that there was: 'No real point in recruiting graduates as they leave after two years to go overseas, therefore they are not worth the effort.' However, another executive said that:

If I had the choice between two candidates, both with the same skills and qualifications and one had done their OE and one hadn't I would always take the one who had done their OE—they are less likely to leave and usually more mature.

A consistent message coming through from the responses of all interviewees was the value of overseas experience was recognized. Yet, no further evidence emerged from the interviews that anything was being done to build upon this value and utilize the experience in the development of transnational management skills.

The conclusion obtained in the local responsiveness dimension was that the managers displayed no evidence of transnational management skills or traditional international management skills. The skill level in this dimension was at a domestic level.

Synergistic Learning

Transnational managers must be skilful at working with people from many countries simultaneously. They no longer have the luxury of dealing with each country's issues on a separate and therefore sequential basis (Adler and Bartholomew, 1992).

Both research and practice in the large multinationals indicate that proficiency in more than one language is critical for operating effectively in the global environment. Yet in this study there is no evidence that learning a second language would be important or encouraged and in one case it was stated quite emphatically that language programs would not be considered for company-funded learning.

One company did bring its managers from different countries together for various workshops and courses. The challenge of working with people who did not speak English was referred to as a very positive experience. However, there was no evidence that upon return to New Zealand there was any attempt to transfer or build upon this learning, either through language or other related cultural experiences, which could thereby encourage dissemination throughout the company.

The orientation of managers within this dimension varied from the traditional international manager to a domestic orientation. No evidence was found to suggest that managers within the sector were undertaking the learning necessary to gain the skills of a transnational manager.

Transition and Adaptation

Only one person of all those interviewed had what could be considered international experience, that is an international posting of some duration rather than the 'business trip or conference/course' experience. There was no awareness of the need for New Zealand managers to have to adapt to other cultures. This was somewhat surprising given the supposed multicultural nature of the New Zealand workforce.

It is only recently (i.e. the last 3-8 years) that the New Zealand offices in the

finance sector have lost much of their autonomy. Description of the views held by the head office or major shareholders was what could only be described as ethnocentric. On occasions the New Zealand companies described having to give up what were considered to be superior systems and processes in preference to markedly inferior systems, all in the interests of cost savings. This in turn has led to a perceived lack of ownership and a high level of resentment. In this type of environment it is very difficult to encourage transition and adaptation to other cultures when it is felt that an individual's own knowledge, skills, abilities and culture are not valued.

The conclusion is that in this dimension managers tended to fall into the neither category. There was evidence that managers were prepared to undertake an international posting but the evidence suggested that the view of this was of the traditional expatriate manager rather than a transnational manager who could adapt to living in many cultures.

Cross-cultural Interaction

Transnational managers need cross-cultural skills on a daily basis throughout their career, not just during foreign assignments but also on regular multi-country business trips and in daily interactions with foreign colleagues and clients worldwide (Adler and Bartholomew, 1992).

It was found that managers use cross-cultural interaction skills primarily on foreign assignments. There was no mention of cross-cultural communication skills being a key knowledge, skill or ability required of managers. Nor was experience in cross-cultural interaction or living or working in another country considered a key experience required for successful executives now or in the future.

There was an awareness of the cultural issues that occurred during a merger or acquisition in particular corporate culture. There was an awareness also of the part that these cultural issues may play in the success or otherwise of the change process. This awareness was not transferred to an understanding of managing different cultural groups within the workplace, those visiting from overseas or as a manager in a global company.

Induction, orientation and training programs were conspicuous by their absence for people undertaking international placements. If something was held, it was invariably of low rigour (see table 3) and in most cases performed only when the person had already been selected for an overseas posting. International understanding or cultural interaction appeared not to be an integral part of any management or executive development program.

Within the dimension of cross-cultural interaction, managers generally conformed to the traditional international manager profile, with some having a strong domestic orientation. The evidence suggested that managers were unaware also of differing managerial styles that they would encounter from transnational managers who are sent to New Zealand in positions of authority. There was also a lack of understanding of how they would have to mentor these managers in the New Zealand way of doing business.

Table 3 Levels of cross-cultural training rigour in expatriate training

| <i>Level of rigour</i> | <i>Time duration</i> | <i>Activities included</i> |
|------------------------|----------------------|--|
| Low | 4–20 hours | Lectures, films, books, area briefing |
| Moderate | 20–60 hours | All of the above, plus role plays cases, survival level language training |
| High | 60–180 hours | All of the above plus assessment centres, simulations, field trips, in-depth language training |

Source: McFarlin and Sweeny (1998)

Collaboration

Transnational managers interact with foreign colleagues as equals, rather than from within clearly defined hierarchies of structural or cultural dominance and subordination (Adler and Bartholomew, 1992).

Within this dimension, the traditional international manager profile predominated. Contact globally was within very clear hierarchies and the head office was perceived in many instances as having cultural dominance over the New Zealand branch. The organizational structures and reporting lines in all companies pre-ordained this hierarchical approach.

There was recognition that with the advent of email and other technologies, and as people got to know each other in the various branches, then some of these hierarchies will break down.

Normally you would never talk to someone so senior—you would go through your M.D. and the M.D. would like to think of 'my Country' as my bailiwick and I manage how it interacts within the country or offshore with others. But that type of view becomes archaic, amid people from all sorts of levels going off all round the world with all sorts of inputs and outputs,

was the view of one senior manager who had been involved in a cross-border merger and acquisition. This type of response was repeated often, and reflected a 'non-collaborative' profile.

There was recognition from all companies that there was increased collaboration with people from other countries. However, when an indicator of frequency was requested, responses were of the nature: 'if I need information about something' or 'once a month' or 'once every 4–6 weeks'. Such a frequency is not consistent with the profile of a transnational manager.

Within this dimension managers were tending toward the traditional international manager category, even though in some cases there was recognition that foreign experience could be good for one's career.

Foreign Experience

The variety and frequency of cross-cultural interaction increases with globalization, and transnational managers will have gained significant levels of experience in a

number of different countries and cultures throughout the world (Adler and Bartholomew, 1992).

As stated previously, foreign experiences were not seen as key to becoming a successful leader within the financial services sector. International placements were seen very much as being essential to getting the job done. There was no evidence of international placements being done as a normal part of everyday business or a required part of career development.

While it was common for firms to send high potential people to executive development programs and MBA programs, it was not common practice to send people on international secondment for developmental purposes. Self-selection was the predominant method of selection for international placement. International placements did not appear to be an integral part of executive development.

Managers on this dimension fitted the traditional international manager profile. The second research question related to the capability of HR systems in the New Zealand finance sector to acquire and develop transnational managers.

A summary of the findings from the present research, compared with Adler and Bartholomew's seven criteria for transnational competency, is presented in table 4.

HUMAN RESOURCE DEVELOPMENT

Human resource management systems within the New Zealand environment are still very traditional in their methods of operation. There appears to be little difference between the awareness of transnational management competencies in the New Zealand human resource environment, and that of the USA where Adler and Bartholomew's original study took place. That is, human resource professionals and systems have not globalized as rapidly or as extensively as the business strategies of the firms they are part of.

The collective cost to the industry of the changes is unable to be assessed easily. Each company admitted that the changes were incurring significant costs both financially and in human terms.

Human resource functions are characterized by a focus on the operational problems caused by downsizing, preventing personal grievances and embedding the day-to-day changes into the organization's structure. In all cases, the number of personal grievances or lack of them was provided as a measure of the success of the change programs.

It was very clear that there was a distinct lack of time and resources available to be applied to strategic human resource development, identifying the threats and opportunities facing the discipline in the future.

The level of decentralization of the human resource function also impacted on the level of strategic development of human resources. While no company demonstrated long-term strategic visioning of human resource planning, where the company was highly centralized, the human resource function was seen purely as an operational function. 'We pay people' was the nature of many comments made in highly centralized environments, and reflected a view that investment in professional development was unnecessary. In these cases, the human resource

Table 4 The skills of the transnational manager and the competencies of the New Zealand finance sector

| <i>Transnational skills</i> | <i>Transnationally competent managers</i> | <i>New Zealand finance sector</i> |
|-----------------------------------|---|---|
| Global perspective | Understand worldwide business environment from a global perspective | Conforms with skill profile of traditional international manager |
| Local responsiveness | Learn about many cultures | Skill level at <i>domestic</i> level; no evidence of transnational management skills nor traditional international management skills |
| Synergistic learning | Work with and learn from people from many cultures simultaneously Create a culturally synergistic organisational environment | Varied from traditional international manager to domestic orientation. No evidence of managers undertaking learning necessary to gain the skills of a transnational manager |
| Transition and adaptation | Adapt to living in many foreign cultures | Neither traditional international nor transnational |
| Cross-cultural interaction | Use cross cultural interaction skills on a daily basis throughout one's career. | Mainly traditional international; some strong domestic orientation |
| Collaboration | Interact with foreign colleagues as equals | Mainly tending toward traditional international orientation |
| Foreign experience | Transpatriation for career and organisation development | Traditional international orientation |

professionals were clearly demotivated. They felt that their skills and abilities were devalued and not utilized fully, resulting in a lack of ownership and buy-in to programs and policies.

All the change processes occurring throughout the industry have resulted in a change in priorities regarding organizational development programs, in particular, graduate recruitment programs and career management programs. The comment made by one executive human resource manager was representative:

In the last year or so there has been nothing done. In the early 90's we did a great deal of work from middle management to senior level—we are seeing the output of that in terms of the senior management team. We plan to reinvest in some programmes when we finish the change process.

Given the level of change and the length of time the industry has been undergoing the change processes it is questionable whether the industry can afford 'a hiatus'. There is a recognition that programs in the past have worked and current managers had benefited greatly. On one occasion where a company did appear to have innovative development programs, the HR manager was unable to provide an idea of the content or main components of the programs.

SUMMARY

Overall, there was no evidence to indicate that leaders and managers within the sector possessed the knowledge, skills and abilities that matched the dimension of transnational management. The research indicated the knowledge, skills and abilities possessed clearly fitted four of the seven categories of the traditional international manager. The remaining three dimensions fitted neither the traditional nor the transnational form, as proposed by Adler and Bartholomew (1992). In these three dimensions, the managers could only be described as fitting a domestic orientation.

There is a significant gap between the level of knowledge, skills and abilities of the managers in this sector and those required for transnational management.

While there was knowledge of the globalization of the industry and the need to operate differently, the insights and awareness of how to achieve this level of management capability were absent. Given the nature of the environment within which New Zealand has operated, this is not surprising. Despite the articulated visions of their leaders, which reflected a transnational philosophy, people at branch level in New Zealand are at times operating barely at the level of the traditional international manager.

What is of real concern is the lack of managerial knowledge, awareness and insights into managing the key aspects of globalization as they affect their particular industry. This is not surprising given the pressures under which managers have to operate. There is a significant lack of resources, support, and training and time available for managers to be able to gain these skills.

The approaches utilized by various firms vary from ethnocentric to a polycentric approach. Only occasionally did a regiocentric approach focus appear. In fact, a new term could be developed from this work—*duo-centric*, the identification with or a close relationship between two neighbouring countries. This is very much the case in this study where virtually all the respondents identified closely with Australia, in particular with working in Sydney or Melbourne. Experience in either of these two cities was seen as being international experience and very few if any talked of countries, areas or regions outside the immediate Australasian region. When Asia was mentioned, it was in passing and frequently as a pejorative, as not the place that the majority of managers would want to work and particular mention was made of the economic downturn and the perceived violence in some countries such as Malaysia or Indonesia.

As the firms in the sector move from being largely domestic/international companies to becoming part of a much larger global/transnational company, it is probably more important that all companies work towards developing a *geocentric mindset* among staff at all levels of the company.

It is accepted that the reality of this could be very difficult to achieve, for the New Zealand finance sector, in the short term. A longer term perspective needs to be taken throughout the industry with regard to the development of the knowledge, skills and abilities that will be required throughout the sector in ten years time.

CONCLUSION

As has been noted, the development of a transnational capability will depend greatly on a company's approach to human resource management. A key element of this necessary approach is having effective human resource policies geared toward maintaining a transnational momentum.

The challenges resulting from the rapid growth and the issues of culture and diversity confronting the finance sector mean that managers may struggle to keep up with the levels of learning that will be required of them. Not only do the people have to adapt to meeting the demands of a new shareholder, but that shareholder also has to appreciate the demands of doing business in a sector dealing with unprecedented change.

The challenge for the finance sector as it goes global is to change the fundamental way in which people regard doing business internationally. It is not about frequent short business trips, attendance at conferences or meeting people from other cultures at company headquarters. It is about developing a geocentric mindset and developing a global perspective does this. It is about being comfortable doing business in a country not their own, and on that particular country's terms. There should be no reason why a manager from the New Zealand finance sector should not have the knowledge, skills and ability to lead their organization at a global level should they chose that as a career option. The development programs should be available from the time they are at very junior level within the company that will allow them attain the broadened view of the world that will be necessary for them to succeed at an international level.

The finance sector mould has been well and truly broken. It is unlikely that the managers that are doing business in the sector at the current time will repair it in a recognizable form. The real challenge facing all companies in the current business environment will be to recruit, select, train, develop and retain managers that truly know how to manage in the global environment.

Creating an organization that adds value to customers will be the competitive battleground for many firms in the next decade. One can match one's competitors' products, prices and services. However, as Kerr and Ulrich (1995) observed, one also has to match their ability to create organizations with the human resource capabilities necessary to win.

Only by looking past the period of cost reduction, will companies be able to strategically position their talent pool in order to maximize their potential. By creating revenue in such a way, people will help to ensure the continuing profitability of their organization through sustained competitive advantage.

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