

*Boundaryless HR: Human Capital Management in the Global Economy*  
(IHRIM Press, June 2002, Karen Beaman, Editor)

## **An Interview with Christopher Bartlett**

*By Karen V. Beaman*

*Managing across Borders: the Transnational Solution, by Christopher A. Bartlett and Sumantra Ghoshal, has been called one of the 50 most influential business books of the 20th century. The 1989 book, recently reissued in an updated edition, has shaped the way many HR professionals think about global management. Of course, Bartlett's work ranges further. When I interviewed him in December 2000, he had a good deal to say, for example, about the implications of his work for human resource management.*

*Dr. Bartlett is the Daewoo Professor of Business Administration and Chair of the Program for Global Leadership at Harvard Business School, whose faculty he joined in 1979. He holds masters and doctoral degrees from Harvard. Previously, he was a marketing manager with Alcoa in his native Australia, a management consultant for McKinsey and Company in London, and a general manager at a Baxter Laboratory subsidiary in France. He has written or co-written eight books, the most recent being The Individualized Corporation (co-authored with Sumantra Ghoshal, published in 1997).*

*I interviewed Bartlett by telephone in December 2000 to find out how his thinking about global organizations had evolved and, in particular, how they apply to the human resources professional.*

**KB:** *You and Sumantra Ghoshal introduced the model of the transnational organization in 1989. How has the concept developed since then?*

**CB:** Our first book was based on research done in the 1980s. While the companies in our sample were clearly heading in the transnational direction, none of them had yet achieved the transnational model that we described in its idealized form. But now many companies have. For example, at Asea Brown Boveri (ABB), which Percy Barnevik was creating after the merger of two firms, he talked about being both big and small, both centralized and de-centralized, both with responsibilities at the periphery and control at the center. He was, in short, creating a classic transnational organization.

As we discussed in our book, a transnational organization is based neither on centralized nor on decentralized operations. Today's transnational companies are indeed creating organizations that are *interdependent*, rather than relying on dependent or interdependent operations. Another key point that is being confirmed is that they use worldwide operations not only for market access but

also --even more importantly -- for the ability to tap knowledge and expertise, and to link and leverage it around the world. This is enormously significant, and raises important issues for HR, which often has yet to address them.

*KB: My experience is that HR tends to be localized and very top-down, focusing more on legal and cultural issues within their own country than leveraging resources and knowledge from other countries.*

CB: Yes, HR has traditionally been a centralized and top-down function. I think that most companies today are still that way, as they remain caught in their administrative heritage. This administrative heritage dates from the 1920s when leading corporations developed a model that compartmentalized organizations into divisions. From this came the “professional management model” that has driven companies through enormous growth and expansion over the past 75 years. In this model of “strategy-structured systems,” top management sets strategy by allocating scarce capital resources, after reviewing the strategic plans and the capital budgets for each division.

It was an appropriate model in its time, because during much of the 20th century, capital was the critical scarce resource for global management. But in today’s leading-edge companies you’re starting to see enormous changes. The fundamental reason is that capital is no longer their constraining scarce resource. Instead, as we move into an information-based, knowledge-intensive service economy, the critical scarce resources are information, knowledge and expertise. These scarce resources reside in the heads of individuals. They also exist in the relationships between people who are at the front lines of the organization, closest to the customers, competitors and technology.

Everything that the standard corporate model was designed for -- to allocate, measure and control scarce capital resources -- is becoming less and less central to business success. Today, the key task of management is to develop, leverage, diffuse and apply scarce knowledge. This flips the whole organizational form.

*KB: What sort of form does this suggest?*

CB: The traditional divisional model sees the organization as a hierarchy of *tasks*. The new model sees it as a portfolio of core *macro-processes*. In our new book, we identify three especially important ones. The first core macro-process is the *entrepreneurial* process: entrepreneurial initiative that drives from the bottom up and that counters the strong top-down direction that we are left with from the old organizational form. The second is a *horizontal learning* process, which links and leverages across the compartmentalized structures of divisions and departments. It runs counter to the vertical capital-allocating process that we inherit from the older model. The third is a *continuous renewal* process. This is not just continuous refinement, or getting better and better at what we’ve done. Continuous renewal is about companies constantly reinventing themselves to avoid self-obsolencing. Instead of just driving down the learning curve, it’s jumping the curves.

Within the macro processes are various micro-processes; but it's around the core macro-processes that global organizations need to build. We can no longer compartmentalize ourselves into functions. And the leading edge companies are a country mile ahead of the followers in this respect.

*KB: A lot of companies are still locked in the command and control structure. Could you give some examples of companies that demonstrate the new model?*

CB: Jack Welch, during his years at GE, led one of the most widely followed transformations -- and it has embodied all three of these core macro-processes. First, he developed a process called "getting a workout." This would begin with gathering front-line people into groups together with their boss. The boss left and the front-line people, with a facilitator, could say, "Here's what's wrong with this business. Here's where we could do things better. Here's what could really help us." After a couple of days, the boss came back and the front-line people presented their notions of what should change, what should go, and what should be added.

That process developed a different relationship between the front line and the managers: bosses would listen to front-line people. The front line was given authority, encouragement and reward for taking the initiative and pushing ideas up. In short, the workout was creating *entrepreneurial initiative*, this bottom-up kick-start core macro-process. It took place in the late 1980s and early 1990s -- you can't hurry these transformations, and if you try to they fail.

GE's second stage of the transformation, after workout, was called "boundarylessness." It asks, what are the best practices in our class in the world? And then once we capture them, how do we leverage them rapidly across the organization? This is about creating the "horizontal" macro-process, the second one on our list -- the linking and leveraging of knowledge.

For example, Canadian GE noticed that an appliance manufacturer in the tiny market of New Zealand was running its business incredibly efficiently and with highly innovative products. So Canadian GE flew some people over to find out what on earth this tiny company was doing. They brought back the ideas they learned, and realized huge increases in efficiency. Then people from GE's Appliance Park in North Carolina came up to Canada to find out what was going on. They brought the ideas back to Appliance Park, started reengineering their processes, and got more inventory out and reduced their time to market. Then other divisions came to them to learn what they could.

The conventional wisdom is that GE is a conglomerate and should just spin off its businesses. Well no, it shouldn't, because Welch has learned to make full use of its human assets. He released the entrepreneurial spirit that had been held hostage in the old corporate hierarchy and let it drive bottom-up initiative. And he linked and leveraged expertise around the organization. He embodied the principle that the biggest advantage of globalization is to increase corporate access to the main scarce resource of our time -- knowledge.

He also embodied our third macro-process, continuous self-renewal. Welch asked his people, “Who says we have to be just an industrial product company? Why don’t we define ourselves as an industrial products and services business?” As a result, they are radically transforming their business from product only to products and services. For example, the medical products business that was in x-rays and CAT scans started putting sensors in all of their equipment, and monitoring them centrally so that they could see when they needed service.

All of these approaches demonstrate *processes* of change, not structures. They have loosened the grip of the old divisionalized heritage and have contributed enormously to GE’s success.

*KB: It’s an impressive example, because the divisionalized approach is ingrained in so many companies. Yet you’re saying that the approach is becoming counterproductive.*

CB: Well, HR is a perfect example of why the compartmentalizing of the divisional model is outmoded. The role of HR is to help line managers manage the human resources of the organization. HR has to help line managers attract, develop and motivate people because it’s the key competitive advantage today, not just because it’s a nice thing to do. But it has to be done in a very different way than we’ve done it in the past. How does HR help line managers? By being rolled *into* line management. HR isn’t to be compartmentalized off into some corporate staff function that’s managed at the headquarters or at the region.

As it becomes more integrated, HR also plays a more prominent role in the corporation. Welch spends 80 percent of his time on people issues, and at his right hand are his HR specialists, who help him manage that. By contrast, in the traditional organization, with its focus on capital resources, the CEO keeps the chief financial officer at his right hand.

*KB: Could you say more about what the new model implies for HR?*

CB: The implications for HR go deeper, of course. The traditional organization sees its employees as factors of production. Henry Ford said that when all he wanted was a good pair of hands, unfortunately a person came attached to them. Harold Geneen, the CEO of International Telephone and Telegraph in the 1960s, said that he wanted to make people as predictable and controllable as the capital assets for which they were responsible. The implication was that capital assets were at the center, while people were at the margins.

We may scoff at this sort of attitude, but a bit of it carried over even when we started talking about human resources as our most critical asset. Our treatment of the human resource still is often focused on deployment -- on moving people as if they were machines that we try to put into the most efficient application.

We need a very different model of how to think about them. The new organization is learning to see people as *volunteer investors* in their organizations -- people who invest their scarce knowledge and expertise into the organization, just as traditional shareholders bring monetary capital to invest.

This is a radical change of attitude towards employees. Perhaps the biggest challenge it raises is learning how to access the scarce resource of people's knowledge on a global basis.

*KB: Why do you think it has been such a challenge for companies to share and leverage their people's knowledge globally?*

In the old model, the purpose of corporate staff was to provide top management with increasingly sophisticated information-planning control systems -- whose information flowed *up* the organization. What most companies keep doing today, without questioning that old "strategy-structured systems" corporate model, is merely to haul more and more *sophisticated* information up to the top of the organization. But this misses the point. Most companies are drowning in information -- managers throughout the organization are up to their eyeballs in it.

What they are starved for is real knowledge. Knowledge is very different from information. Although knowledge is built on an infrastructure of information, it's ultimately based on a social network. Knowledge is people. If you're going to build a plant, you don't just ship over the blueprints. You also ship over the engineers who understand it. The knowledge that you're really transferring is imbedded and implicit, built into these engineers' heads and relationships. The blueprints or the description are not sufficient; they are just information.

The principle applies to any kind of knowledge we create. So building social networks within an organization is what allows you to take the resource from one country, link it to the expertise in a third, apply it to an asset in a fourth, and leverage the product you produce around the world. That's the real challenge of global knowledge management: the diffusion of innovation around the globe. Here we're describing the second of the three macro-processes that we spoke about—the horizontal learning process, which links and leverages knowledge across divisions internationally.

*KB: We've published a lot in the IHRIM Journal about building social networks for knowledge transfer. The traditional approach of putting all your knowledge into a database so others can search it has proven not to work. Could you speak more about how one can build social networks?*

CB: A key is to realize that formalized and centralized processes are probably not relevant to these networks. Of course, you probably still will use formalized processes to manage the flow of *goods and products* around the organization; and you'll use centralized processes to manage the flow of *resources*. But for the flows of *information, knowledge and expertise* around the organization, what you need is the less formal process of socialization. That means career paths that engage people in moving among different businesses, functions and geographies.

In developing these, you're building a matrix in managers' *minds*, as opposed to installing a matrix structure in the organization. A lot of people talk about a matrix structure as if you formalize it and wire everyone in to report to multiple people. But what you need is a more dynamic, fluid matrix in which you build mini-matrices. Those are teams and task forces that overlay the ongoing operations and line responsibilities of managers.

In one example in our first book, a corporation had its marketing and technology managers from different countries work together on developing their first euro-brand. In such mechanisms and processes companies start building informal contacts and relationships. These bring understanding, communication and respect across barriers of distance, language, time and culture. After you've been moving people through careers and have been assigning them into these teams, task forces and projects, an informal network eventually starts to build up in the organization.

It's expensive to move people around, of course -- but once the connection is established you don't have to physically meet in Brussels or wherever. Enough of a relationship is established that people can pick up the phone or send an email. You've already built trust—which is the critical element to creating a knowledge network. I trust that if I deliver on my part, you're going to do the same. We have no formal relationship that's going to force us to. But we have come to trust that we'll each contribute to the shared effort.

*KB: You spoke about barriers of distance, language and so forth. Overcoming these linguistic, legal, and cultural barriers has been a challenge for global organizations.*

CB: It can be done, however. Again, the key is in the informal rather than the formalized structure. A company can be said to have a “psychology,” in addition to its more formal structures. The “psychology” is the corporation's culture, the values and the way people think and act. When people join your organization your goal is that they engage in and become part of this entity.

In other words, they should be made to feel that they don't just work for the company -- they belong to an institution whose values, beliefs and purpose they identify with. Fostering this identification is at the heart of international management. And if management isn't making those values clear, finding the kinds of people who align with that “psychology,” and bringing that to bear across the organization, then it's failing in its job.

That doesn't mean that we don't respect national or cultural differences and try to understand them. Global managers are managing a corporate culture, but also national cultures. There will always be a tension between the global and the national and local. On the one hand, you want the efficiency of across-the-border integration and coordination; on the other you want local responsiveness to each country's consumers, infrastructure, host governments, culture, and values. At the heart of the global organization is managing that tension, asking people to nudge a bit this way and move a bit that way. To facilitate that, the corporate culture must be integrating, a powerful coordinating mechanism.

*KB: This seems to relate to the question of decentralization, centralization, and the interdependence that characterizes the transnational model.*

CB: It does. National responsiveness -- delegating, responding and adapting to the local market -- is not about centralization versus decentralization. Companies have to learn how to do both. And

they have to figure out, business-by-business, function-by-function and task-by-task, which issues need to be managed in a more coordinated and integrated fashion and which ones need to be managed in a more differentiated fashion. You'll manage your global research in a very different way than your sales and service. You'll manage your telecommunications business very differently than your brand and package-goods industry business.

That's a fundamental task for management, sorting out the roles and responsibilities and relationships, business-by-business, function-by-function, task-by-task. It's not a matter of looking for the simplistic solution. Saying we're centralized or de-centralized is lazy management. The world isn't that simple. The world is complex, diverse and dynamic.

In *Managing across Borders* -- which focused on the link between global strategic requirements and organizational capabilities -- we spoke about an integrated network as a corporate model. But our newest book, *The Individualized Corporation*, proposes a more flexible and dynamic network-based organization. That dynamism and flexibility reflects the nature of human knowledge and its increased strategic importance. These qualities are increasingly essential to global organizations.

*KB: What role do HR systems have to play in the transformation you've discussed? The ERP systems like SAP, PeopleSoft and Oracle often impose top-down uniformity on the organization, and in some ways inhibit us from doing a lot of the things that you talk about. I'm wondering about how we can use these systems to enable the human-resource function.*

*CB: As you imply, there is nothing wrong with systems per se, whether they're in budgeting or strategic planning or HR. The problem is in how they're used. We talked about the old strategy/structure systems model. Underneath it lay the assumption that top management has the knowledge, expertise and wisdom, and thus will set strategy and the budgets. But this top-down assumption -- that the people at the top of the organization are smarter than everyone else -- was part of the problem. It is largely why the powerful systems that are hauling all this information to the top can become pathological. It's pathological, for example, when the budgets create a sort of cops-and-robbers war between corporate staffs and line management because they're seen as opposite sides of a game. The front line is hiding performance in their hip pockets, and the corporate staffs are chasing around and playing "gotcha."*

That's why I think that more critical than such systems are these more dynamic core processes, which I think will transform the organization. Once you transform it, you can build structures to provide the backdrop for what you've built, and the systems to support it. But at the heart of what we've got to create are these core processes. And that requires a very different approach than going back to the old strategy/structure and systems model.

*KB: Still, it seems that many organizations are inhibited from making the necessary changes partly because they're locked into ERP systems. They've made huge investments in these monolithic systems, and the costs for modifying them would be enormous.*

CB: As you say, it doesn't help to create powerful systems to drive information through the organization rather than standing back and saying, "Wait a minute, at the core of our task is to build a very different corporate model." You need to stand back and be strategic and corporate and top-management minded and take a long-term view in this instead of an operational and tool-oriented one.

I don't pretend to be an HR specialist; I'm a guy from strategy who wandered in and feels as if he's not in Kansas anymore (like Dorothy in the Wizard of Oz). But this issue you raise is at the core of the research that Sumantra and I are doing. The next piece we're looking at is the strategic role of human resource management -- in fact I don't even want to call it human resource management; let's call it "how companies can manage people for competitive advantage." We're coming at these issues not through a human resource view, but through a strategic one. I think that is what's necessary today.