RAND

New Challenges for International Leadership

Lessons from Organizations with Global Missions

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SUMMARY

Is the United States producing the leaders it will need in the
21st century? No issue is more critical for America's role in the world
than its capacity to develop among its people the intellectual and
professional expertise that will be required for leadership in
international affairs.

We confront, today, a world that that bears little resemblance to
that of a few decades ago. It is both networked and fractured, both
full of promise and full of danger. Although information and
communication technology now link countries and organizations in
unprecedented ways, cultural, political, and economic differences
constitute significant barriers to international understanding.
Exercising leadership in this environment presents new and daunting
challenges. The bipolar world view that characterized the cold war
period has given way to a global perspective in which national
boundaries no longer define the limits of daily interaction in
government and business.

The events of September 11, 2001, underscored the importance of
developing a broader and deeper understanding of the differing
perspectives of people from other countries and other cultures and of
learning to work effectively with people who differ in language,
customs, and, in some cases, political and social values. The global
role of the United States in the century ahead will demand greater
understanding of the economic, political, and cultural forces that shape
the world. And, while the aftermath of September 11 has given new
urgency to the role of national governments, it has also called
attention to the significant parts played in world affairs by the
private sectors. International leadership is not for governments alone;
it is exerted as well by corporations, nongovernmental institutions, and
intergovernmental organizations. Thus the need for a globally competent

workforce spans these sectors, characterizing all organizations with an international reach.

OBJECTIVES

Against this background, the study reported here aims to improve public understanding and enrich public discussion of the challenges the United States faces in building the cross-cultural expertise that will be required for international leadership in the 21st century. Toward that end, it addresses the following research questions.

- How have recent trends toward globalization affected major public and private sector organizations in general and their human resource needs in particular?
- What kinds of competencies are now being sought in career professionals in organizations whose missions have an international dimension?
- How, and how well, are these human resource needs being met?
- What are the prospects for meeting future internationally oriented human resource needs?
- What policies and practices are likely to improve the development of capabilities for leadership in public and private sector organizations in the global environment of the 21st century?

In what follows, we first briefly outline the study's research methods and then summarize the chief conclusions and recommendations.

RESEARCH APPROACH

The study's research approach is based on work done in two prior RAND projects (Berryman et al., 1979; Bikson and Law, 1994), along with findings from an extensive literature review conducted for this project (Lindstrom, Bikson, and Treverton, 2002). Primary data are drawn from structured interviews with 135 human resource managers and senior managers from 75 organizations divided equally among the public, for-profit and non-profit sectors. Organizations were selected on the basis of two criteria: They had to have international missions that engage them in interactions spanning national boundaries, and they had to have been in existence long enough to have experienced the effects of

increasing globalization. (The attained sample is listed in Appendix A.)

Typically the human resources representative was selected first; that individual then identified managers within their organizations who played a significant role in a border-spanning business process. The interviewees were distributed among kinds of organizations and roles within organizations as shown in Table S.1.

Table S.1 Research Participants by Role and Sector

Role	Sector			
	Public	For-profit	Non-profit	Total
Human resources	19	21	26	66
Line management	22	21	26	69
Total	41	42	52	135

Interviews were guided by a written protocol to ensure that comparable information relevant to the key research objectives outlined above would be collected systematically across participants. In the interviews, we explored effects of globalization and probed in some detail the need for new competencies to respond to the requirements of globalization. After identifying needed skills, interviewees were first asked about their views as to how well these needs are being met, and they were then asked to comment on postemployment development and other efforts intended to yield higher-level cadres of internationally capable managers and professionals within their organizations and in society more broadly. Finally, they were asked to describe the issues, problems, and prospects of globalization facing their organizations. Incorporating both close-ended and open-ended items, the protocol was flexible enough to elicit rich and wide-ranging responses.

To complement and extend what we learned from these structured interviews, we discussed the emerging issues of globalization as they relate to private firms, non-profit organizations, and governmental institutions in the United States with 24 individuals selected on the

basis of nominations from the project's advisory committee, their established expertise in domains of interest, their contributions to relevant literature, or all of these. (They are acknowledged in Appendix B.) In a series of unstructured interviews, we undertook to elicit from these individuals their insights into the kinds of policies and practices that could improve the development of leadership capabilities in internationally oriented organizations.

GLOBAL LEADERSHIP SKILLS: DEMAND AND SUPPLY

Increasing globalization has created an environment that makes the exercise of international leadership significantly more complex. High-level officers of public, for-profit, and non-profit organizations must interact with one another across borders to arrive at negotiated decisions about issues that often blend advances in science and technology with policy concerns, while blurring the distinctions between foreign and domestic affairs. Moreover, globalization is not just concerned with economics and finance; it has significant political, legal and sociocultural dimensions—both positive and negative—that have become increasingly salient to organizations with international missions since September 11, 2001. The public sector got off to a slower start in coping with the broad and complex implications of globalization than the other two sectors, but, since September 11, it has been moving quickly to catch up. Other sectors globalized faster as corporations sought broader markets and non-profits engaged new partners.

International Managers Need an Integrated Skill Repertoire

To exercise leadership effectively in this environment, senior managers and professionals need a multidimensional and well-integrated set of competencies. There are some between-sector differences in how highly particular competencies (e.g., substantive domain knowledge, competitiveness and drive, foreign language fluency versus English language communication skills) are valued, but our interviewees agree

that international leaders must have an integrated repertoire of skills including the following:

- *Substantive depth (professional or technical knowledge) related to the organization's primary business processes.*

  Without this depth, leaders cannot make sound decisions about risks and opportunities and will not gain the respect and trust of those below them.

- *Managerial ability, with an emphasis on teamwork and interpersonal skills.*

  This ability is needed not only to work with different partners but also because within organizations a great deal of decisionmaking is being pushed to lower hierarchical levels, so that upper- and lower-level decisions become more collaborative.

- *Strategic international understanding.*

  It is critical for leaders to have a strategic vision of where the organization is going and to place it in a global context while understanding the implications of operating in different localities.

- *Cross-cultural experience.*

  Multicultural sensitivity cannot readily be gained through academic instruction alone. Efforts to learn a second or third language provide evidence of interest in other cultures and can form a basis for understanding them, but are not a substitute for real world experience.

Demographic Trends Portend Significant Skill Deficits

This skill repertoire is seen as being in great demand but in short supply, with the result that our interviewees expect major skill deficits in the international leadership cadre in the near future. Today's senior managers and professionals, drawn from the baby boom generation, are nearing retirement; at the same time, the downsizing and streamlining strategies of the 1980s and early 1990s severely reduced the middle management tier. Further, those who remain in the successor cohort do not appear to have the required competencies for leadership in this changed world. While the demographic and cohort dimensions of this problem cross sectors, the anticipated leadership gap is most acute in federal agencies; in describing the future public sector workforce, some have called it a "human capital crisis."

Career Development Programs Ineffective for Preparing Global Leaders

Postemployment education and development programs could, in principle, address the competency shortfall described above. But such programs are generally systematically designed and widely offered only at the point of entry for new employees. However, this is where the gaps between needed and available competencies are generally smallest. Regarding entry-level employees, interviewees from the organizations participating in our study are, with some exceptions, fairly well satisfied with the products of US universities. (The exceptions include a dearth of science and technology graduates who are US citizens, of graduates with fluency in uncommon languages, of US minorities majoring in graduate studies relevant to international careers, and of graduates with international experience.) Typically, there is little need or opportunity for entry-level employees to exert leadership skills in an international environment, but these young people are seen as having the potential to do so.

At lower hierarchical levels, there are, however, alternatives to recruiting individuals with the requisite skills or developing these skills in postemployment training programs. These alternatives include contracting out (e.g., in the case of language services), hiring non-US citizens (e.g., in the case of scientists and engineers), and establishing internships and cooperative programs (e.g., for providing desired integrative experiences in real performance settings). There are drawbacks both to outsourcing (e.g., loss of institutional memory) and to hiring of foreign nationals (e.g., visas may become harder to get in the future), but for now both are viable and widely used approaches for coping with some competency shortages. Networked information and communication technologies may also be deployed more effectively in the future to access hard-to-get skills.

The shortage of employees with the desired repertoire of skills is greatest at mid-career levels and beyond. Paradoxically, this is the period when professional education and development offerings become

markedly less well defined and—in the for-profit and non-profit sectors—less frequently available as well. More important, the offerings typically provided are not well suited to yield the desired results.

Most often, career development at higher levels is self-initiated, ad hoc, and unrelated to an organization's strategic plans. It may involve activities undertaken in order to check off a requirement or to move up a rung on a career ladder at the next performance review; or it may be a reward bestowed on those who have already demonstrated advanced leadership capabilities. Further, the most frequently used development approaches (e.g., courses) are the least robust, while stronger programs (e.g., job rotation, especially to a non-US site) are much less often employed. Present patterns of investment in human resource development are thus not likely to produce the needed repertoire of skills within the leadership cadre of international organizations.

Lateral Hiring Rarely Serves to Reduce Global Leadership Skill Deficits

Lateral hiring from organizations within or outside the sector is the second potential route for remedying competency shortfalls and providing fresh perspectives at mid-career and higher levels in international organizations. But, as with career development programs, it is not, as presently practiced, likely to produce the mix of leadership competencies these organizations seek.

On the one hand, intramural stovepipes tend to be replicated across organizations. That is, lateral entrants are very likely to be drawn not only from the same sector but also from very similar, narrowly defined subdomains. Such an approach assures substantive expertise and avoids the culture shock of cross-sector transitions, but it decreases the chances of innovation and growth both for the organization and the mid-career employee. On the other hand, cross-sector moves, while holding developmental promise for organizations and their later-career hires, are more risky, and such moves lack institutionalized support structures.

The public sector is at a special disadvantage for cross-sector lateral hiring at upper levels because its salary scale is not competitive and because its rules constrain the exit of its own upper-level people to other sectors.

MEETING THE DEMAND: PROBLEMS AND PROSPECTS

The end result is that the outlook for future leadership in international organizations is very mixed—there are envisioned problems as well as promising prospects. The bad news is that, at present, these organizations lack the multidimensional competencies in their human resources that future leadership cadres will need to carry out their global missions effectively. The good news is that contemporary demographic and cohort factors combine to create an unprecedented opportunity for organizations with a global reach to repopulate their upper ranks.

Further, participants in this research believe that career candidates today are generally more interested in and knowledgeable about international affairs than prior cohorts. In addition, they are more willing to embrace mobile careers, and a larger proportion now report wanting to contribute to large-scale societal goals. Thus the public sector stands to be affected most severely by the problems that lie ahead, but also stands to benefit greatly from the most promising prospects.

RECOMMENDATIONS: DEVELOPING LEADERS FOR THE GLOBAL ENVIRONMENT

What, then, can be done to take advantage of the opportunities created by the shifting demographics of the workforce and the skills and interests of these new workers to produce competent international leadership in US organizations? We recommend that US organizations that have an international reach or that are involved in preparing individuals for careers that involve an international component take the following actions.

- Encourage the development of portfolio careers.
- Develop personnel policies to support portfolio careers.
- Internationalize university curricula.
- Implement sector-specific near-term and long-term programs to develop international leaders.

Encourage the Development of Portfolio Careers

We recommend providing a mix of innovative, robust development approaches for those in mid-career and higher positions and introducing measures to facilitate the kinds of transitions between such posts that, in the end, make for the kinds of career portfolios that all sectors desire for their leaders.

Enabling the pursuit of portfolio careers will require changing mind-sets in all three sectors. The for-profit sector still prefers to grow talent within, while non-profit and public sector officials live their careers in narrow stovepipes. Within the government, the first step is to make it easier for people to move across agencies. In some areas, such as intelligence, it might be possible to mimic the experience of the military Joint Staff, making rotations to other agencies or "joint" appointments a requirement. The existing Intergovernmental Personnel Act (IPA) makes it possible for people to move across agencies but does not make it easy or desirable. The provisions of this act should be expanded, possibly through new legislation, and become a distinguished learning opportunity, as should other programs that detail government officials to the Congress, to state and local governments, or to the private sector.

The for-profit sector should begin to think of the other sectors as partners in developing future leaders. Like government, it draws on the other sectors, particularly government diplomats and military officers, for internationally oriented leaders at the top. It does not, however, think of moving its younger executives into other sectors as a way to broaden their experience.

The not-for-profit sector could play a special role in developing portfolio careers. Foundations like Ford and MacArthur have developed innovative programs for giving young people dual expertise, in area studies as well as strategy, or policy as well as science. Such opportunities could be expanded, with the specific goal of producing future leaders in all sectors with international experience and exposure.

Develop Personnel Policies and Practices to Support Portfolio Careers

To support portfolio careers, the policies and strategies of human resource units and the international organizations they serve would have to change. First, human resource units will have to become strategic partners with top-level decisionmakers charged with shaping the organization's future missions. In that capacity, they should look more broadly—even across sectors—for best practices to adopt, adapt, and implement for developing multidimensional competency repertoires in their in-house career professionals and for facilitating cross-sector lateral transitions at mid-career levels and beyond. Further, human resource units should collaborate more closely with line managers in deciding to take more risks with employee assignments (e.g., stretch assignments, especially those that involve overseas work).

Moreover, human resource units should better exploit the flexibilities that exist in current regulations and policies, while formulating new policies better designed to meet today's needs for international expertise at higher levels of organizations. The public sector faces greater challenges in this area because it has special obstacles to overcome (e.g., time-consuming hiring processes, constraints on hiring non-US citizens, and noncompetitive salaries).

Internationalize University Curricula

In addition, to improve the supply side, the nation's education institutions need to rethink curricula and practices as they seek to produce more internationally minded leaders. They have found it easier

to internationalize their faculties than their curricula, and many non-Americans now teach at America's universities. Most of those, however, have Ph.D.s from the same US universities as their American counterparts. So, these non-American faculty members with US Ph.D.s are the beginning of internationalizing, not the end.

The traditional ways that universities conceived of "internationalizing" their curriculums--by developing academic area studies and language training--may no longer be the best ways of producing broad-gauged professionals. Instead, universities need to devise ways to give students a grounding in thinking and acting across cultures. In particular, they should ask why so many college students arrive saying that they intend to take a year of study abroad but so few actually do so. Experiences abroad shorter than a year or semester, and more oriented toward professional tasks, might be valuable. And, given the explosion of non-Americans and of cultural diversity on many US campuses, innovative approaches could produce cross-cultural competence while remaining at home.

It is striking that internationally oriented organizations in all three sectors stress the need for a new cadre of leaders, and leadership programs are widely available in academic institutions. Yet leadership remains something of an outcast in American higher education. It is not quite academic, hence not quite respectable. Yet if leaders, like entrepreneurs (or scholars) are partly born, leadership skills can also be developed. Producing effective leadership deserves a much more prominent place in the nation's research and teaching.

Implement Near- and Long-Term International Leadership Development

The agenda for better positioning tomorrow's America to lead in a globalized world requires actions by all three sectors represented in this study, plus higher education--ideally in partnership. Table S.2 summarizes the chief recommendations from the study, by sector, according to whether they could feasibly be pursued to affect expected

near-term international leadership gaps (first column) or would take
longer and more complex implementation efforts but would address
identified needs to build future cohorts of international managers and
professionals. Both courses should be pursued concurrently.

Table S.2 Recommended Agenda for Building International Leadership

	Time Horizon	
	Shorter Term--The Current Workforce	**Longer Term--The Pipeline**
Public	• Increase and enhance use of IPAs • Facilitate lateral movement inside and outside government • Improve hiring processes • Target robust career development programs	• Expand internship and cooperative programs • Narrowly target fellowships in areas of need • Support and encourage portfolio careers • Relax barriers to in-and-out careers (e.g., conflict of interest laws) • Fund leadership development research • Reserve some proportion of senior positions in any agency for the career service
For-profit	• Support career exchanges with public and non-profit sectors • Target robust career development programs	• Support and encourage portfolio careers • Support internationalized MBA programs
Non-profit	• Support career exchanges with public and for-profit sectors • Heighten awareness of need for future leaders • Improve hiring processes • Target robust career development programs	• Increase funding for producing dual (and treble) expertise • Increase support for leadership study and training • Articulate and support study of specialized human resource needs of international non-profit organizations (both nongovernmental and intergovernmental)
Higher Education	• Promote and recognize real world study abroad • Expand initiatives for internationalizing education at home	• Internationalize graduate programs in relevant areas (e.g., MPA, MPP, MBA, IP, and related doctoral studies) • Rethink ways to internationalize other curricula • Improve US minority recruitment/retention in international programs • Give leadership development a serious place in teaching and research

Notes: MPA – Master in public administration
MPP – Master in public policy
MBA – Master in business administration
IP – International policy

In the end, it will not be easy to respond to the challenges of
21st century leadership. In part that is because of the complexity of
the global environment that today's international organizations face.
Another major difficulty is that effective responses to these challenges

must be distributed over myriad organizations and will have to be largely self-generated--no one-size-fits-all solutions are in sight.

Organizations—and nations—that address these leadership challenges successfully will have a competitive advantage in the decades to come.