

Human Capital in the Supply Chain of Global Firms

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The common thought is that corporate globalization cannot exist (in a practical sense) in a world filled with differences. This is both true and not true. The great difficulty for many firms is that most managers are more apt to focus on differences than similarities. The true test is of the manager's perspective. It is the manager's perspective that allows for global success.

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Thomas L. Friedman indicates in *"The World is Flat: A Brief History of the Twenty-first Century"* that he awoke to the revelation one day that the traditional barriers of international trade had somehow passed, resulting in a world where relatively frictionless commerce on a global basis was taking hold. While new to Friedman, the issue of the movement toward a global economy is not new to those senior executives engaged in global competition. However, the fundamental elements of Friedman's book speak to all of those in the economy, when we look to the issue of why this change has come upon us—whether the breaking down of physical barriers, such as the Berlin Wall, or the "opening of the windows," via the introduction of the Windows operating system, which has placed us on a course for global workflow management.

Through these changes and the continued evolution toward the opening of world

markets and the reduction of trade barriers—such as through the efforts of nations in the World Trade Organization—the world has indeed become flat. The flatteners that Friedman speaks of, such as open sourcing, outsourcing, offshoring, in-forming, etc., have transformed commerce. However, Friedman argues that these flatteners have led to a "leveling of the playing field." Unfortunately, this is an oversimplification of global business (much as the foundation economic theories of international trade oversimplify the complex nature of global commerce).

While managers would agree that the "levelers" Friedman speaks of have clearly led to the globalization of markets, thus intensifying competition on a global basis, they have no more leveled the playing field than the Internet leveled the playing field between well entrenched firms and online startups. Simply stated, the levelers have increased the inter-connectiveness of the global market, reducing the barriers a firm faces when operating (whether selling or sourcing) throughout the world. The newly formed hypercompetitive global competitive environment has increased the importance of how firms compete (e.g., placing firms such as Haier Group, Samsung Electronics Co. and Whirlpool Corporation in more intense competitive environments). Understanding resource configurations leading to competitive advantage has become heightened. However, today's hypercompetitive global environment necessitates that firms acquire and retain the human capital capable of

effectively developing marketing and management strategies capitalizing on resource advantages in the new global environment. Nowhere is this more notable than in the operations of the firm's global supply chain.

In this article, it is argued that the human capital a firm employs in its global supply chain allows the firm to take advantage of the global flatteners. This is to argue that Friedman's hypothesis that the flatteners have created a level playing field overstates the nature of the global business environment. Rather than these flatteners leveling the playing field, they have set the stage for firms to compete more fiercely, thereby enhancing the competitive advantage of those firms embodying the human capital capable of leveraging this newly charged environment. The focus here is on the human capital necessary for firms to operate aggressively in the global marketplace, taking advantage of the flatteners to maximize value delivered to a wide variety of firm stakeholders. To this aim, we (1) address the importance of human capital for global supply chain competitiveness, (2) delineate dimensions of human capital that firms need to accumulate within the firm's global supply chain to compete in this new environment, and (3) discuss how the explicated human capital dimensions advance global supply chain strategies for success in a dynamic global business environment.

THE IMPORTANCE OF HUMAN CAPITAL FOR FIRM COMPETITIVENESS

Human Capital as Foundation for Firm Competitiveness

Firms are globally competitive when they possess and configure the appropriate unique combinations of tangible and intangible resources within their global supply chain. It is through the development and leveraging of unique combinations of heterogeneous and imperfectly mobile resources in the firm's global supply chain that it is able to achieve and sustain competitive positions

resulting in above normal returns. For example, the ability of Wal-Mart Stores to connect with consumers throughout the world is derived from the supply chain people Wal-Mart employs, who are able to deliver superior value to these customers. It is through the interface of Wal-Mart's management and marketing personnel that Wal-Mart has been able to engage global consumers (via its global supply chain) at a fundamental level. Though global sourcing programs demand higher quality goods, lower prices and more integrated supply chain coordination, Wal-Mart has led the retail sector in the delivery of value. However, resource configurations (i.e., capabilities) are only foundations of competitive advantage when they are able to be continually modified to maintain competitiveness within the dynamic environment. Hence, it is through the firm's ability to develop and maintain dynamic capabilities within the global supply chain that it competes. This argument, while well founded, often proceeds without consideration of the fundamental unit of analysis—i.e., the human capital employed by the firm, which embodies the firm's capabilities.

Human resources are one of a firm's most common means to build and maintain dynamic capabilities. This fact is more important today, when firms compete in hypercompetitive global markets, where a firm's employees are challenged to work within a global supply chain environment. Therefore, it is important for senior managers to not only understand how to motivate supply chain personnel to accumulate capital, but also to understand themselves the types of capital most useful to the firm in working in the flat world. Here it is argued that a meta-element of competitive advantage in the flattened world is the cognitive approach (or perspective) that one has to world business dynamics.

Cognitive Constraints: Understanding the Boundaries of Mindsets

Inherent within the argument of the importance of human capital employed in

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