



Managing Human Capital: Global Trends and Challenges

- Moderator: **David A. Thomas**, *H. Naylor Fitzhugh Professor of Business Administration, Unit Head, Organizational Behavior*
- Panelists: **Ted Childs Jr.**, *Founder, Ted Childs LLC*
Ilene H. Lang, *President, Catalyst*
Jack P. Shonkoff, *Julius B. Richmond FAMRI Professor of Child Health and Development, Harvard School of Public Health and Harvard Graduate School of Education*
Jide J. Zeitlin, *Private Investor*

Overview

Globalization takes place through a foundation of human capital. Yet in many ways, the human capital needed for globalization is lacking. Progress is required in important areas such as elevating more women to leadership positions and having talent strategies that incorporate diversity. Taking a longer-term view, early childhood interventions are needed to ensure development of tomorrow's workforce.

For companies that are global today, it is not effective to manage workers the same in all countries. Managers need to understand cultural differences and adjust their styles, communications, and rewards to fit within each culture.

Context

The panelists shared insights on human capital management from their unique vantage points.

Key Takeaways

- **Investments in early childhood development are investments in a society's future human capital.**

Investing in the healthy development of children is the ultimate long-term investment. The reward is better educated, more capable people for the workforce of tomorrow. The reasons lie in early brain development.

Brains are built over time from the prenatal period through adulthood. Babies are born with most of their brain cells, but little of the circuitry connecting them. A vast amount of this circuitry is created in the first five years of life.

Neural circuits are wired in a bottom-up sequence, with the circuits enabling the most basic skills built first. *When* circuits are built is genetically determined, but *how* they are built is a function of environmental forces. Experience shapes brain development, as the brain figures out the architecture that will equip it best for survival in its particular environment.

"The brain uses experience to figure out what kind of environment it must succeed in, because humans live in a wide range of environments."

— Jack P. Shonkoff

When a young child faces significant adversity (e.g., chronic malnutrition, abuse, neglect, maternal depression, exposure to violence) causing elevated stress for a prolonged period, the brain wires itself to deal with a life of

frequent threat. Many workplace issues have their origins here, in early brain development.

Moreover, elevated stress "poisons" the development of key parts of a child's brain. Studies have found a direct correlation between adverse experiences in early childhood and developmental delays—as well as later-life health problems. Research has shown that people's brains become hard wired and as a result, the capacity for change decreases with age.

"Research on the biology of stress illustrates how . . . poverty, child abuse, and discrimination can 'get under the skin' and have lifelong impacts on learning, behavior, and health."

— Jack P. Shonkoff

The relevance for human capital is that from society's perspective, investments that take place to develop human capital in school or post-school, through training programs, yield lower returns than investments in human capital at the earliest ages, before brains are hard wired. The younger the beneficiaries of interventions—including as young as 0-3—the greater the returns.

- **The glass ceiling not only holds back women, it holds back business competitiveness.**

Women represent over half of all college graduates and half of the U.S. workforce. However, they comprise only 15% of corporate officers or board members, and only 12 *Fortune* 500 companies are led by female CEOs. Statistically, meritocracy and representation should go hand in hand. Men and women are represented equally in middle management, share the same ambitions, and want the same basic things out of work—with challenging assignments and supportive work cultures topping the list for both genders. And talent doesn't discriminate. So when under-representation of women is only present at the top, it shows that systemic barriers clearly exist.

Removing those barriers is good business. Studies reveal that companies with more women at the top outperform their peers financially.

"Companies with the highest numbers of women at the top financially outperform those with lower numbers of women."

— Ilene H. Lang

There are multiple reasons for this:



- *Expanded leadership pool.* Companies that limit their leadership pool to half of the available candidates hinder their chances of finding the best leaders.
- *Culture and talent attraction/retention benefits.* Not having women in leadership roles is a missed opportunity to have an inclusive culture that attracts diverse talent. Many people of color and younger generations consider homogenous firms “strange.” Having women at the helm—especially women of color—speaks volumes in a company’s favor.
- *Customer favor.* Increasingly, companies are seeing the benefits of having internal decision makers look like customers and other external stakeholders.
- *Advantages of proactively embracing a future necessity.* When most people are asked to picture a leader, they see an older, white man. But coming demographic changes will make that profile increasingly scarce. By 2014, more than 65% of new workforce entrants will be women and people of color.

“A notion to put to rest is that opportunities for women are a women’s issue . . . they’re everybody’s issue. . . . What’s good for women is good for men, and what’s good for both is good for business.”

— Ilene H. Lang

▪ **A sound diversity strategy is a talent strategy and a marketplace strategy.**

A diversity strategy means more than accounting for people in various groups and telegraphing a commitment to social responsibility. There are four business goals of a diversity strategy:

- Identify, attract, and retain the best people.
- Create a workplace culture where they can maximize their performance.
- Understand who your customers are—seeing them as they see themselves, not as you see them.
- Use external focus to eliminate societal disadvantage, and increase the diversity of talent pools.

A diversity strategy that meets these goals is a talent strategy and a marketplace strategy. Diversity is inevitable because demographic changes are altering nations’ populations and their ethnic and religious compositions. This affects the types of customers and employees that companies will be trying to attract. The white population in America, for example, will shrink to 50% in 2050 (from 88% in 1940).

Emerging issues that will shape approaches to diversity over coming years:

- *Age.* This will be a marketplace issue as companies will appeal to older customers, and a workforce issue as employers focus on recruiting younger employees.
- *Commitment to equal opportunity.* Businesses cannot afford to allow children to grow up in the conditions that many children grow up in today.

- *Diversity legislation.* Many think of diversity as a U.S. phenomenon, but 69 countries have diversity-related legislation that defines—and increasingly enforces—corporate conduct.
- *Immigration.* Immigration is significantly impacting the future demographic makeup of the workforce. As significant as this is in the United States, some countries like Germany are being affected even more.
- *Language education.* If U.S. companies are to remain globally competitive, the United States needs to require that American schoolchildren learn foreign languages.

“China has committed to teaching English in elementary schools, and will soon be the largest English-speaking country. Their children will be more competitive than ours.”

— Ted Childs Jr.

- *Life/work integration.* There must be a national dialogue about companies’ 24/7 work ethic. It must become okay to “turn off”—and not check email on vacation.

“We’re going to destroy ourselves by operating 24/7. The fact that you work for a global company should mean that 24 hours a day someone around the globe is working, but it doesn’t mean that it has to be you.”

— Ted Childs Jr.

▪ **A global workforce cannot be managed globally.**

Global companies tend to think about managing workforces consistently across geographies. That is a mistake. Attracting talent is a local market activity; likewise is managing human capital. Managing a workforce in India is fundamentally different than in Indiana.

Different cultures produce employees with different values, attitudes, and motivations. A case in point: Mr. Zeitlin was surprised when an employee in New Delhi resigned. The employee had been doing well and was rewarded amply. The reason he left was not one Mr. Zeitlin had anticipated: The employee felt uncomfortable supervising an individual from a higher caste.

So how do you manage within a multinational context? To succeed, leaders must accept that there is not a global workforce with common values or motivations. Then they must create a management team of people from diverse backgrounds, who will serve as interpreters of the company’s global goals—communicating messages with sensitivity across different cultures. Unlike a product or service, human capital can’t be managed in globally standardized ways; attempting to do so will create a less effective manager and less productive workforce.

“As much as we’d like to think of the world as global from a product and service perspective, if we manage workforces that way, we’ll end up mismanaging.”

— Jide J. Zeitlin



Speaker Biographies

David A. Thomas (Moderator)

*H. Naylor Fitzhugh Professor of Business Administration,
Unit Head, Organizational Behavior*

David Thomas is the H. Naylor Fitzhugh Professor of Business Administration and head of the Organizational Behavior unit at HBS. He joined the HBS faculty in 1990 and became a tenured professor in 1998.

Thomas is a recognized thought leader in the area of strategic human resource management. His research addresses issues related to executive development, cultural diversity in organizations, leadership, and organizational change. His research has appeared in leading academic journals and practitioner-oriented periodicals. He is the 1998 recipient of the Executive Development Roundtable's Marion Gislason Award for Contributions to Executive Development Theory and Practice.

Thomas is the coauthor of the best-selling 1996 *Harvard Business Review* article "Making Differences Matter: A New Paradigm for Managing Diversity." His book, *Breaking Through: The Making of Minority Executives in Corporate America* (with John Gabarro), has met with critical acclaim in reviews by academics and journalists and is the recipient of the Academy of Management's George R. Terry Book Award for outstanding contribution to the advancement of management knowledge. It explores the career advancement and development of minority executives in large multinational corporations.

Before becoming head of the Organizational Behavior unit, Thomas was senior associate dean, director of Faculty Recruiting. In the MBA Program, he served as course head for the required first-year course Leadership and Organizational Behavior. For seven years, he taught and developed materials for the popular second-year elective Self-Assessment and Career Development. In Executive Education, Thomas teaches in the Public Education Leadership Program. He served as faculty chair of the executive programs Managing Human Capital and Strategic Human Resource Management. He is a frequent presenter in Executive Education programs as well as a consultant to private-sector corporations, government agencies, and nonprofit organizations.

Thomas received his BA (1978), M.Phil. (1984), and Ph.D. (1986) degrees from Yale University. He also holds an MA (1981) in organizational psychology from Columbia University.

Before coming to HBS, Thomas was on the faculty of the Wharton School of Finance. He sits on the boards of Cambridge Trust Company, Brigham and Women's Hospital, Shady Hill School, Jobs for the Future, and the Boston Partnership.

J.T. Childs Jr.

Founder, Ted Childs LLC

In August 2006, Ted Childs retired from IBM after a distinguished 39-year career as a member of its corporate human-resources team. Upon retiring, he founded Ted Childs LLC, which serves as a global strategic diversity advisor to senior management and workforce diversity teams.

At IBM, Childs held a variety of human-resource assignments, including 15 years of executive responsibility for global workforce diversity programs and policies. He also served as executive assistant to Benjamin Hooks, executive director of the NAACP, during an IBM social-service leave in 1982–1983. Childs is a graduate of West Virginia State University, where he is a member of its board of directors, past president of the WVSU Foundation, and a life member of the National Alumni Association.

In 1989 Governor Mario Cuomo appointed Childs to the New York State Governor's Advisory Council on Child Care. In 1992 he was named cochair of the National Council of Jewish Women's Work Family Advisory Board and presented with its Founder's Award for commitment to quality of life issues for U.S. families. Childs was an official delegate to the 1995 White House Conference on Aging. In 1997 *Working Mother* magazine named him one of 25 "Men Friends of the Family" who have made it easier for working parents to raise and nurture children. That same year, U.S. Treasury Secretary Robert Rubin appointed Childs as an advisor to his Working Group on Child Care.

In March 2000, Childs received the Diversity Awards 2000 for Excellence in Diversity in the corporate sector from *Working Mother* magazine. In 2003 the Human Rights Campaign gave IBM and Childs its Corporate Leadership Award. In 2004 the Families and Work Institute presented him with its Work/Life Legacy Award. In 2006 *Working Mother* announced that the Ted Childs Life/Work Excellence Award would be given annually to an individual who has contributed to the field of life/work balance in the business community.

Childs is a member of the Executive Leadership Council and a director of the Families and Work Institute. He was named a fellow of the National Academy of Human Resources in 2001. Childs has received honorary doctorates of humane letters from Pace University (2001), West Virginia State University (2003), and Our Lady of the Elms College (2005).

Ilene H. Lang, MBA 1973

President, Catalyst

Ilene Lang is the president of Catalyst, the leading research and advisory organization working with businesses and the professions to build inclusive workplaces and expand opportunities for women and business. As president of Catalyst since August 2003, Lang brings energy and corporate savvy to the advancement of women in every sector of the global marketplace. Her expertise on the



advancement of women in corporations and professional firms, corporate boards and governance, workforce demographic trends, the business case for women's career development, innovative strategies for retaining and advancing women, and work-life effectiveness is often called upon by the media, companies, and other organizations. She regularly addresses national and international groups of senior leaders in a variety of business, academic, and public policy venues.

Having broken barriers in her own career, Lang is broadly recognized as a pioneering female high-tech and Internet executive. She was the founding CEO of AltaVista Internet Software Inc., a subsidiary of Digital Equipment Corporation. Before that, she was senior vice president of the Desktop Business Group at Lotus Development Corporation, responsible for a \$500 million business. She has also advised CEOs and entrepreneurs as a board member, coach, and investor in women-led technology companies.

Lang serves on the board of directors of Art Technology Group Inc., an enterprise software company. She was named to the World Economic Forum's Global Agenda Council on the gender gap, and she is a member of the national nominating committee of the Girl Scouts of the USA. She has served on numerous other corporate, private, and nonprofit boards in the past.

Lang earned a BA in history and literature from Radcliffe College and an MBA from HBS. She is married and the mother of three adult children.

Jack P. Shonkoff

Julius B. Richmond FAMRI Professor of Child Health and Development, Harvard School of Public Health and Harvard Graduate School of Education

Jack Shonkoff is the Julius B. Richmond FAMRI Professor of Child Health and Development at the Harvard School of Public Health and the Harvard Graduate School of Education. He is also founding director of the Center on the Developing Child at Harvard University. Shonkoff chairs the National Scientific Council on the Developing Child, a multiuniversity collaboration comprising leading scholars in neuroscience, psychology, pediatrics, and economics whose mission is to bring credible science to bear on policy affecting young children.

Under the auspices of the National Academy of Sciences, Shonkoff served as chair of the Board on Children, Youth, and Families and chaired a blue-ribbon committee that produced a landmark report titled *From Neurons to Neighborhoods: The Science of Early Childhood Development*. He also served as a member of the panel on child-care policy, the Committee on the Assessment of Family Violence Interventions, and the Roundtable on Head Start Research.

Shonkoff has received multiple honors, including election to membership in the Institute of Medicine of the National Academy of Sciences and the American Pediatric Society,

designation as a national associate of the National Academies, the C. Anderson Aldrich Award in Child Development from the American Academy of Pediatrics, and the Award for Distinguished Contributions to Public Policy for Children from the Society for Research in Child Development.

Shonkoff has served on numerous professional networks and public interest advisory boards, including the core scientific group of the MacArthur Research Network on Early Experience and Brain Development, the governing council of the Society for Research in Child Development, and the executive committee of the Section on Developmental and Behavioral Pediatrics of the American Academy of Pediatrics. He has written more than 130 publications, including nine books; coedited two editions of the widely heralded *Handbook of Early Childhood Intervention*; and served on the editorial boards of several scholarly journals, including *Child Development*.

Shonkoff completed his undergraduate studies at Cornell, his medical education at NYU's School of Medicine, his pediatric training at Bronx Municipal Hospital Center and the Albert Einstein College of Medicine, and a fellowship in developmental pediatrics at Harvard Medical School and Children's Hospital Boston. Before assuming his current position, he was the Samuel F. and Rose B. Gingold Professor of Human Development and Social Policy and dean of the Heller School for Social Policy and Management at Brandeis University.

Jide J. Zeitlin, MBA 1987

Private Investor

Jide Zeitlin is a private investor focused mainly on telecommunications infrastructure in India and health care globally. Before December 2005, he was an investment banker at Goldman Sachs & Co., where he was elected a partner in 1996 and held a number of senior management roles in the firm's investment-banking division and executive office.

Zeitlin is a member of the boards of Amherst College (chairman), Common Ground Community, Milton Academy, the Montefiore Medical Center, Playwrights Horizons, and Teach For America as well as the HBS Visiting Committee. He is also a director of two publicly listed corporations, Affiliated Managers Group and Coach Inc., and two private corporations, Cogentus Pharmaceuticals Inc. and Vascular Biogenics Ltd.

Zeitlin received an MBA from HBS and a BA in economics and English from Amherst College. He resides in New York City with his wife and two sons.