REPORT FROM THE FIELD...

BUILDING GLOBAL CULTURES

BY MICHAEL DISTEFANO AND SETH SCHULMAN

SPURRED BY RUMORS OF THE FABLED KEYS TO GLOBAL CULTURE, I COMBED THE LITERATURE...

...AND FOUND TEXTS THAT STOKED MY CURIOSITY!

KNOWING THAT TRAVELING ALONE IS ALWAYS PERILOUS...

...I ENLISTED THE HELP OF A FRIEND FOR THE JOURNEY.
Global enterprises need global cultures. We know intuitively the difference a strong global culture can make. Companies with strong global cultures bring the best teams together, sustain high morale and keep employees focused on the company’s purpose and mission. These firms seem to understand their own strengths and weaknesses better than companies without global cultures, and they are more aware of and sensitive to cultural norms and business rituals. As a result, they empower their workforces to come up with the best solutions for the enterprise as a whole as well as for diverse local markets. Superior performance seems to follow in turn.

Yet building strong global cultures is not easy. References to globalization as a business philosophy pass easily from the lips of CEOs, but rarely do firms take the necessary steps to bring a global culture to life from the inside out. Spurred by the ideas in books such as “The World Is Flat: A Brief History of the Twenty-First Century” by Thomas L. Friedman, executive leadership rushes to enter emerging markets, focusing attention outside the company and shying away from the plodding, gradual and relatively mysterious work of culture building, which takes place on the inside. A cultural gap arises between global headquarters and local markets, to the point where companies continue to operate as coordinated groupings of separate entities — in other words, as conventional multinational firms.

As Korn/Ferry International’s chief marketing officer, I have often wondered if there was a way to make culture building less mysterious and more tangible for our clients, so that they can form themselves into true global companies. How, I have wanted to know, do you create strong cultures? What are the best practices? Where especially should firms devote their efforts? What pitfalls should they avoid? What are the biggest blind spots? The business literature does not provide satisfying answers.

So, I called on Seth Schulman, who earned a Ph.D. in cultural history at Brown University and has worked as a research associate at Harvard Business School, to join me on a quest. Together, we sought out practitioners, consultants and academics with deep professional experience in global culture and asked these individuals to tell us stories about real companies working to build their cultures. We started with a broad working definition of culture, regarding it as collective meaning that includes individuals’ attitudes and behaviors as well as the organizational policies and processes that shape these attitudes and behaviors. In other words, culture as words and feelings, but also as infrastructure — the common ways companies pay people, set them up on e-mail, develop them, evaluate them and so on.

Establish Unity First

The goal of our virtual expedition was to discover a framework or structure that our clients could use to guide their initiatives around culture. We first checked in with a veteran practitioner, J. Randall MacDonald, senior vice president of human resources for I.B.M. He presented a compelling thesis: Firms
Managers should pay attention first to business needs and initially, I.B.M. had 37 different payroll systems in Europe, but then allowed for exceptions; do not take the exceptions as the basis for rules. “We used to be a multinational, but we’re not any longer,” he noted. “We look at our operations as one managed entity — a truly integrated enterprise. And the key to developing an integrated culture is to define what’s common first, while making sure to allow ample room for local differences that add nuance and color. We’re always looking for common practices, since standardization allows for economies of scale. Achieving those economies then allows us to provide for an appropriate level of local autonomy.”

We asked MacDonald: How should a firm determine what parts of a culture to define as common? “Simple,” he replied. Managers should pay attention first to business needs and processes that in practice will be more or less applicable universally, and that once instituted can help underpin a firmwide culture. For instance, everyone around the world needs to be paid, so most firms can adopt common payroll programs. Initially, I.B.M. had 37 different payroll systems in Europe, but as the company cast about for a common practice, it wound up adopting a single program pioneered in a small European country for the entire organization, with common pay practices. “Our compensation practices are common, all triggered off the same compensation principles,” MacDonald said. “All executives are on the same common plan, as are all employees.” Or take leadership. As MacDonald noted, “A leader is a leader is a leader, no matter where in the world you are.” I.B.M. defines foundational competencies for all leaders, screening and selecting for those skills and developing a common nomenclature. It is this standardized structure that allows the firm to talk about an “I.B.M.’er” in a meaningful way across the globe.

Unify Around the Brand
To further our understanding of global culture, we met with a longtime senior executive at a major consumer products company based in India. (We are concealing the executive’s identity for competitive reasons.) The executive offered a slightly different perspective on how a firm can become a truly global company rather than merely a multinational. He emphasized the importance of building around a global brand and using that brand as a means of defining internally what a company stands for. “From what I’ve seen, defining companywide vision and values is vital, and a brand is the perfect vehicle,” the executive remarked. “Are you an American company going international, or are you truly a global company that has to its core the values and vision you need to bring people together?”

The executive’s company defines its strong global culture around a few very simple values contained in its brand identity: integrity, caring, the mission of making people’s lives better. The executive related how extremely helpful these few choice words had been in creating a global work environment galvanized around a clear brand message. With these universal concepts in the air, people at all levels of the organization were able to plug into a common purpose, regardless of

THE FIRST KEY GUIDED US TO A MARKET IN A FARAWAY LAND...

WHERE ANOTHER KEY AWAITED US.
geography. They were working together better because thanks to selective hiring and promotion, they all shared a common mind-set about what is important, a mind-set that activates emotions on a deep level. “Anywhere you go in our company, you find people who understand and love our brand, the same kind of high-energy people, people who understand local nuances and passions and culture, people who know what makes customers tick,” the executive noted. “It’s a young, vibrant environment, high energy. This is the same anywhere you go in the world. It’s our culture. All because we’ve all bought into our mission.”

That is not to say that the values of the executive’s firm are expressed the same way in every geography; quite the contrary. As evidence of that, he cited his company’s consumer marketing, which played an important role in reinforcing brand values — in every country, consumer marketing is placed in the context of local holidays and customs.

“For us, creating culture is in part about festivals, about common beliefs, common passions,” the executive said. “It’s something that is unique to your local culture but that has the values of friendship, giving and family. We’re respecting the local culture in our brand, not force-fitting it. You take the local festival and adapt it around the common platform.” In other words, the executive was advocating the kind of cultural centralization MacDonald of I.B.M. spoke of, but placing special emphasis on the flourishing of local styles and tastes.

**Unifying Leaders**

Having gotten the views of practitioners, we were curious to see what academics with expertise in global cultures would contribute. One academic who has studied corporate culture in depth and conducted research inside companies is Richard E. Boyatzis, a professor of organizational behavior at Case Western Reserve University, in the United States. Boyatzis, who has published widely in the areas of emotional intelligence, behavior change, competencies and leadership, quickly identified for us a reason that global culture is so important to companies. “There are certain competencies, behaviors and attitudes that excite and engage people every day, that help them feel more valued, respected and comfortable,” he said. “And these competencies, behaviors and attitudes are the same, no matter where an employee’s office is located or what national culture they belong to.” The problem is that companies do not appreciate “the universal qualities of leadership” all that well, and thus do not do enough to build global cultures around them, he said. “We need these universal building blocks of leadership present in the culture. When they’re not there, firms go astray. What could be outstanding performance becomes average.”

“The key is to create environments, through sound leadership, that rejuvenate people spiritually, that encourage playfulness, experimentation, creativity and the free flow of ideas,” he said. Citing research in fields like psychology and neuroscience, Boyatzis notes that it is often the buildup of chronic stress that prevents people from performing. “The data is very clear that when you stimulate the sympathetic nervous system, you impair people, cognitively, emotionally and perceptually. You get into groupthink. You look for ideas that confirm your
expectations. As a result, you can’t make good distinctions or decisions. So, global firms need systems and policies in place that encourage the right kind of leadership behaviors — behaviors that renew the people around them.”

Pulling this off is complicated, but for starters Boyatzis recommended paying closer attention to executive training. “Teach people to coach with compassion instead of coaching for compliance,” he said. “A 30-minute session in which a manager asks you to communicate your dreams and hopes is far more conducive to creative decision making than 30 minutes in which a manager merely checks off whether you’ve performed certain expected job tasks.” Likewise, Boyatzis counseled the implementation on a global basis of more inclusive decision-making processes within firms. Companies might also want to take a new look at the mechanisms they use to assess performance. “The scientific literature is now starting to say that we should ditch the annual performance review, as this just puts people on the defensive, increasing stress and closing people down on a neurological level. We need much more positive ways that communicate inclusion and instigate creative conversations.” The process might vary across geographies, involving a more objective, matter-of-fact conversation in places like Germany, or a more intimate, emotional conversation in places like Japan, Korea or Riyadh, Saudi Arabia. Still, MacDonald’s basic point still held: Define cultural practices in the workplace universally in ways that energize people and optimize their performance.

Christine Pearson, a professor at Thunderbird School of Global Management also in the United States and an expert on workplace civility issues, offered additional ideas about how to foster more creativity and openness within a diverse work force. As she pointed out, a persisting arrogance and sense of cultural superiority — the notion that “HQ always knows best” — still looms as one of the biggest stumbling blocks. “I see it all the time in my consulting work,” she said. “And often, managers guilty of arrogance aren’t even aware of what they’re saying. But their partners across the cultural divide know.” Pearson’s advice: more formal training in the kinds of leadership skills Boyatzis described. Help people understand that they need to go the extra mile to avoid the “HQ” mentality. And train people to listen better, wherever in the world they happen to be. “People have the best-laid plans when they go into a country, but they’re not listening to what has to be adapted,” Pearson said. “There is a huge upside if we can put human resource investments in place to change that.”

All this discussion of empathy, respect for cultural diversity and leadership skills in general got us thinking about managerial identity. Might part of the challenge in building a truly global enterprise rather than merely a multinational one be to get mid- and senior-level managers to think of themselves as true global managers? This is challenging, since each of us views the world from a perspective informed by our particular geography, and we do not always understand how we project our own rituals, customs and ways of thinking on everyone else. We remembered something MacDonald of I.B.M. had said: “We teach that to be an I.B.M. executive, you don’t necessarily have a line of business or geographic area that you own. Rather, you’re expected to think as a global executive.
The first and crucial step is an appropriate orientation so that people understand that role. People at the top need to be sensitive to the fact that certain cookie-cutter approaches don’t work for everyone. They need to feel that to the core.”

To understand better what companies might do to foster a global manager mentality, we returned to some practitioners. We discovered that firms have deployed a number of tactics beyond the obvious one of offering foreign assignments. According to MacDonald, I.B.M. used what it called GET — for globally enabled groups of people from developed countries who, once assigned to a growth market, help local teams navigate through I.B.M. Successful firms also often created diverse teams of people who collectively work to open new markets. When working for another company earlier in his career, the executive of the consumer products company based in India helped establish a presence in a new international market as part of a multinational team with members from four countries on two continents. He has used this strategy repeatedly throughout the world in his current position. He told us that diversity creates a high-performance environment by prompting each member of the team to take on the role of cultural explorer; each contributes his or her own insights while also remaining open to other perspectives. Other techniques for instilling global perspectives in managers include investing in conferences and other occasions for in-person meetings, hiring senior executives with strong global experience and transplanting executives from developing markets to developed markets, as well as the other way around.

Fostering a global mentality among managers does not necessarily mean bringing in expatriates to do everything. According to an executive of another global enterprise, many large firms miss out on a lot of talent by failing to hire and promote competent local managers. “Give credit to local people who have built businesses but might not have the international exposure,” she said. “Grow the local talent, groom it. Companies would do well to mix it up more.”

Ron Somers, president of the U.S.-India Business Council, related that companies also needed to take care to build a certain amount of adaptability into their managers’ global identity. “It’s a cliché, but in India, succeeding in business is still about things like relationships, families, remembering names, a certain graciousness, sending cards, remembering to wish someone a happy Diwali,” he said. “How you behave builds trust, and makes senior people on the Indian side comfortable that you’re serious about doing business.” Arrogance is especially deadly; as Somers noted, concerns around neo-colonialism still run deep. “Indians hate people coming from the outside, especially from America, trying to dictate terms and tell India how to behave and perform. They need to see you paying close attention to what they have to say and meeting them where they are. If you come in trying to play hardball, deploying the kind of high-pressure or aggressive tactics that are normal in the United States, you’re dead.”

Somers’ point about adaptability seemed dead-on to us, especially in light of our academicians’ emphasis on empathy and open-mindedness. Yet as we thought about it more, we reasoned that limits exist to adaptability, and what companies also need, if they are to hold everything together, is a sense of
the larger goal. If a company’s goal is to be the world’s biggest consumer products company, then the culture has to recognize that in each geography, the tools, methods and behaviors employed to achieve that end will differ. But that goal — most likely inscribed in the company’s brand — will always remain the same. Further, it must be communicated well to and accepted by teams across geographies. Global goals, then, are just as vital a part of global culture as common practices and values.

Having finished our inquiry into global culture, our heads were spinning. But, had we arrived at our goal — identifying a framework for taking action around global culture?

Certainly we had uncovered some potential guidelines for becoming a global company rather than just a traditional multinational. As Boyatzis and Pearson suggested, even the most successful enterprises could stand to emphasize the softer side of culture more, training employees at all levels to interact in ways that engage people with diverse viewpoints and backgrounds, rather than putting them on the defensive. In addition, we learned that firms should continually strive to define common practices and values to the extent possible, encouraging local variation to the extent possible. And they should nourish a global mind-set within their work forces, making the most of Western-trained and local talent, even while keeping an eye on a single organizational goal.

We boiled all this down to a framework we call “Seven Keys to Enhancing Your Organization’s Culture.” Originating in the experience of professionals on the forefront of globalization, these seven keys enable firms to break free of the headquarter-centric mentality and develop advantage through a strong, inclusive and collaborative global culture.

**Seven Keys to Enhancing Your Organization’s Culture**

1. Make the rules first and then allow for exceptions. Pay attention first to business needs and processes that in practice will be more or less applicable universally.
2. Use your brand as a vehicle for conveying common ideas and beliefs around which diverse employees can identify, engage and customize.
3. Create environments that encourage playfulness, experimentation, creativity, empathy and the free flow of ideas, tweaking them to account for local mind-sets.
4. Identify a global mind-set as a key qualification for every leadership position.
5. To enhance a global mind-set, create cross-cultural teams, make time for in-person meetings, hire senior executives with strong global experience and transplant executives from developing markets to developed markets, rather than only the other way around.
6. Don’t take cosmopolitanism too far; hire competent local managers to do local work, and keep the organizational goal firmly in mind.
7. Ask about, but more importantly, truly listen and show respect for cultural norms and expectations. You ignore the basics of cultural sensitivity at your peril.