



Best Practices

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Going Global



A debate over globalization may not feel new; but what is new is the globe itself. In a relatively short period of time, the world has undergone a series of dramatic changes--some economic, some political--that have rendered yesterday's discussions of globalization insufficient.

What the debate over globalization means, however, is unmistakable: Business leaders today face more challenges than ever. How do you accommodate conflicting versions of globalization? What moves will drive your business forward in a time of global uncertainty? Are you prepared to address a global economic system--or, for that matter, the fracturing of the fragile system that has emerged?

Fast Company founding editor Alan Webber interviewed three business leaders to hear their insights, predictions, and best practices for companies and managers facing globalization. Following are the edited transcripts of their conversations.

Alan Webber, founding editor, Fast Company: You have had a career in strategy; you've had a career in technology. When you think about "globalization" as a concept in business today, what do you think it means? How do you define it?

Shikhar Ghosh, CEO and chairman, Verilytics Technologies: When I think about globalization, the closest analogy I can think of is a federal system -- but for the whole world. There are various states, each with some limitations and some differences, but there are no huge cultural barriers between them. Gradually, companies, economic systems, and value systems just spill over from one place to another. It used to be that by invasion and advance, changes would happen bit by bit. But, over the past 15 years, we've seen the globalization of ideas. They move fast, they spread virally, and all of a sudden, the power and the speed by which globalization is changing things has increased dramatically.

Webber: What are some of the benefits and some of the downsides to globalization?

Ghosh: The primary effect is economic. For countries in which there aren't markets and for those that don't have scope for people, it creates a global market. And in traditional economics, it takes the most competitive parts of those countries and gives them a worldwide market. It actually does the same thing for American industries as well. There is a natural movement to export the jobs for which the wage rates become too high, and that allows everyone's standard of living to go up. The most recent wave has created a very low cost to the United States. However, the next wave will have a huge social cost for this country. The United States has only 5% of the world's population and 60% of its wealth. The software industry is a perfect place to see this phenomenon.

Years ago, the software industry was mostly American -- at least for U.S. markets. But things have changed. The largest center of software development outside of the Silicon Valley right now is Bangalore. We send work there all the time. Barring the time difference, it's no different than having the work done here. There is the same level of education, expertise, and skill. However, the cost to us is only about one-tenth of what it is here.

We've seen that movement of work to low-cost labor in manufacturing, and now we see knowledge work moving. The next work to move will be call centers, creation of medical bills, record keeping, and the like. Already there are companies setting up accent-training centers in order to build these call centers. And so, the same forces that drive globalization also drive economic efficiency, and I think that's the piece that people here don't fully recognize or completely accept. It's going to have a huge impact on the United States.

Webber: What is the profile of a global businessperson today? What are the skills, mind-set, and experiences that every global businessperson has to be able to perform on this emerging world stage?

Ghosh: If there was one thing that I would ask managers to do, it's to go and live somewhere else. Understand how those systems work and interact with those people, and you'll understand a lot more of the subtleties of what really happens within those systems. Additionally, there is a huge cultural adaptation that most Americans have to go through. Most Americans are not particularly good at history, geography, mathematics, or culture, and education systems everywhere else are so much better at the basics. Those are the things that as the trend picks up steam, the United States has got to start paying attention to.

Webber: Is there now such a thing as global strategy? Do you see strategy practiced and constructed in a global template? What's the chessboard of strategy look like?

Ghosh: In a global context, the chessboard of strategy today is changing. A movement toward economic efficiency will lead us to ask, What do I need to protect? What do I *not* need to protect? In that realm, I think the notion of "my people are critical" will slowly go away because your people are fungible. Tasks that you thought could only be done here -- circuit design, customer service, record keeping -- can be done anywhere. That movement makes you realize that you have to protect your intellectual property, your capital, and the nebulous notion of relationships.

Webber: How would you assess the impact of information technology on globalization? What is the impact of information technology?

Ghosh: Information technology is probably the driving force behind this current wave of what's going on in globalization. Its primary influence is that it enables people to transfer ideas instantly. It enables people at all walks of life and all different parts of society to understand what's going on here at the same time that anyone here can understand it. The way to think about this is, in all the U.S. states there really is no distinction between the information access. It's as if the boundary of the United States has just extended to the whole world.

Webber: A lot of things that you talked about in terms of impact of globalization have been professional-services firms and cultural convergence. What do you feel right now is the biggest underreported emerging technology that's going to affect businesses as they become more global?

Ghosh: The most underreported and under appreciated part of what's going on with the Web right now is the true power of web services and what that can do to change the business landscape. What we have so far is just the first act. We have connectivity. We have basic ways of communicating around the world. But, with web services, we are moving to the ability for every computer to talk to every other computer. And once you can do that, the power of what can be done globally goes up exponentially. I think that next step of the revolution is going to be as big as the change caused by the first.

Alan Webber, founding editor, Fast Company: Everybody's talking about globalization as if we all know what it means. What does "globalization" mean to you?

Fran Kelly, president and COO, Arnold Worldwide: From my seat as president of an agency, "globalization" is trying to help a client build a brand that can travel, and brands that can travel have much more growth potential than brands that are only good in their home country. Many of the very strong companies on Wall Street that are

meeting their growth numbers are going global, and for many of those companies, international sales are more than 50% of their sales, which gives management great opportunity.

Webber: Is there a sense when we talk about "globalization" that we really mean "Americanization"?

Kelly: America is the capital of capitalism. It's the capital of brand building, particularly media-based brand building. If we were as good at making cars and steel and beer as we are at making movies, there wouldn't be any question that this phenomenon is Americanization. In globalization, as in anything else, there is a right and wrong way to do things. For U.S. businesses, if you do it the wrong way, you are a marketing version of the ugly American. If you think you can just take yourself exactly the way you are and shove it down the throats of Europeans, South Americans, and Asians, you're making a big mistake.

But if you take the 80% of your brand that is genuine, good, and unchanged and tailor 20% of it to the people who need it, you can be highly successful. If you can artfully tailor your brand so you're thinking globally but acting responsibly on a local basis, you can have great success and open up tremendous avenues for growth.

Webber: Do you find that customers in different cultures take issue with the export of global brands? Are countries still clinging to the sense of a national identity with distinct brands and a distinct culture?

Kelly: There certainly is some of that. But I don't think that comes from the consumer. I think it comes from the business and governmental intermediaries that want to protect their local businesses and their local identity. Consumers are pretty wide open to adapting to anything that they like. For example, Budweiser's Whassup? campaign is a roaring success around the world right now. You see players running off the field after World Cup victories yelling, "Whassup?" and going into bars in South Africa saying, "Whassup?" Consumers will accept anything if they like it and it makes sense and it makes their day better.

Webber: How much has the Web, as a boundary-less piece of technology, changed the world of marketing and advertising to make it immediately more global, immediately more transferable? Has the Web eliminated some of the boundaries that we historically had to deal with?

Kelly: That's a great question. Because dotcom stocks are a terrible investment, people think the Web is less important today than it was a year or two ago. From a marketing perspective, the Web is absolutely changing everything. Essentially, marketing is getting your message to people in a way that helps you sell more to people who want it. The Web is on 24 hours a day, seven days a week, all around the world, and it's accelerating marketing exponentially.

The Web is absolutely changing everything -- and in a very nice way, because the Web is selective. You can't shove anything down somebody's throat on the Web, but if you have something they want and you present it in a good, modern, fun way, they'll find you. And the Web's creating great opportunities for small companies that want to niche-market around the world and for large brands that want to accelerate their development around the world. But it's surprisingly expensive to do really good Web marketing, and that's slowing clients down right now.

Webber: If you were a betting man and you were looking at the direction of economics and competition around the world, would you imagine that we're going to have the triumph of globalization, the integration of markets, and more global brands? Or will we see greater pushback in countries and cultures?

Kelly: I think the march toward more and more global brands is inevitable. I don't think anything is going to stop it. Because with television and the Web, cultures are going international. And businesses need to grow to be successful no matter whether they're public or private. I think you're going to see companies continue to work to create global brands, but there will be a survival of the fittest. Small companies will find their niche, and the big brands that travel well globally will become more dominant. Brands that are in the middle, that don't know how to travel, and that don't have the resources to play the game will die off.

Webber: If I'm a businessperson and I want to move my business into other parts of the world, what do I need to be mindful of as I work with my marketers so that I don't trip and fall over either my own internal obstacles or my regional obstacles around the world?

Kelly: I can point to at least three things. One is, I think you need a brand foundation that is international and that can travel. And I would go back to my 80-20 proposition. If your brand foundation has a simple proposition as Nike does -- it's about playing sports, making your life better, and occasionally winning, or at least dreaming of winning -- that's a very global proposition. So, number one, create a brand foundation that's simple and human and can go global. Number two: Be careful about your international marketing organization. The more chiefs you have, the more you're going to hear, "It doesn't work here." And, the third crucial element is strong leadership at the top. You need someone who can say, "I believe that this brand stands for something and should be consistent around the world. Please tailor it enough to make it respectful and appropriate in the local country, but I want most of it kept the same."

Alan Webber, founding editor, Fast Company: Give us your sense of what globalization means. How do we talk about globalization?

Malcolm Salter, professor, Harvard Business School: We can talk about globalization on three or four levels. Level one is economic integration. Level two is the globalization of industries. And what I mean by that is a global industry or industries where the competitors have to work around the world in a coordinated way or they suffer some competitive disadvantage. Level three is the globalization of firms -- becoming multidomestic or transnational in some important way, as oil companies and financial-services firms have become. And a fourth level at which we can talk about globalization is the convergence of management practices across borders.

There are a lot of ways of differentiating yourself as a firm, and maybe even as a country and as an economy, by retaining the characteristics that are really indigenous to what you believe in. We can best see the limits of globalization at level four, which is the commonality of management practices across borders.

Webber: Capitalism in Latin America isn't the same as capitalism in the United States, Asia, or Europe. Given the recent business scandals in this country, how should we think about different business standards or different varieties of capitalism?

Salter: The United States is a rules-based society. We try our best to define good rules and to live by them. That's our type of corporate governance. But in Brazil, for example, capitalism is a power game. They have to compete with a higher cost of capital than the rest of the world because no one believes in their currency, so they have this sovereign risk that is at the top of the debt they're paying. It's about getting around corners and working power inside -- which is very different from the United States. In Russia, it's also been a power game. But the uncertainty of the future and security issues there have led to greater secrecy and control blocks within companies.

Webber: It seems that the issue of globalization is about what kind of a bet you are making about the future -- about whether we are going to have more integration or disintegration across national boundaries. If you were a betting man -- recognizing that there are forces at play on both sides of this equation -- which way do you think the game is trending right now?

Salter: I would make a portfolio of bets, going industry by industry or sector by sector, because I think it's going to be a different answer for each of them. But if I were to weight the portfolio, I would say it would be probably 60% in favor of more globalization and then 40% of status quo and maybe a bit of reversion.

There are certainly some industries where I think it's going to be inevitable. For example, in aviation, greater globalization is inevitable because it's an industry with enormous economies of scale that come with being a global player -- which serves the consumers and the companies very well. On the other hand are industries like fashion. If you're a cosmetics company, it's important that you have a Paris name, that you have a London name, and even if you're hypoallergenic, you better have the Japanese and the Asians who are very sensitive to that.

My sense overall is that there will be greater globalization in various industries because of the structure of markets, some convergence of tastes, and the economies of scale. However, there will be some industries that -- because of logistical issues, legal issues, and questions of taste -- will land on the other side. Lastly, in terms of management practices, I think you'll see it incrementally but not wholesale.

Again, I would say the economics of it are about 60% or 70%. Thirty percent of it is the person. And, 67% isn't enough in this game. The 30% that relies on the person involved is enormous. If you don't have it, you're not in the game.

Webber: Assuming that your bets are right and that in 60% of the cases, there will be a requirement for more integration, more globalization, more ability to play across boundaries, what will it take to be a manager who can succeed in that increasingly global economy?

Salter: At the most fundamental level, it requires being a good student and a good learner. The rules of the game are changing. Being a manager who can compete in this world will take recognizing differences when you see them, being able to explain them to yourself, and then deciding which ones are inviolate and which ones you want to work. It's about knowing your knitting and then being open-minded. The other crucial component is language. Global managers have got to be able to communicate with others around the world.

Webber: What are the most important globalization questions that businesspeople should be asking themselves today? What knowledge will help them get ahead in business?

Salter: I don't know if there are indicators, but this would be on my Post-it note on the mirror in the morning when I shave: First, don't overestimate the benefits of globalization. Leaders have to think through the economics of what they're doing. Even if the returns are in the very long term, there must be an economic logic to decisions. It's extremely dangerous to overestimate the benefits of globalization because the coordination costs are enormous. Second item on the Post-it is, Work for common decision premises. In other words, you can have the best reporting system, the best metrics, the best dashboard, but the fact of the matter is that there's a lot of specific knowledge around the world, and people are going to make decisions based on that specific knowledge.

The only way that a global company can really work is by absolutely knowing what the shared criteria are for making decisions. For example, Goldman Sachs operates in X number of countries around the world, where there are more than 90 languages spoken and offices are open 24-7. In order to make that work, employees must know how the company works and what the rules of decision-making are when making a risk investment. So, what that means in these global companies is, you have to find a way to retain the sense of intimacy between the individual and the decision criteria. Because you could have the greatest dashboard in the world, but that will only tell you what's happening 30 days or 60 days or 90 days after the effect of a decision.

Point number one: Really be sure you know what you're doing, really look at the economics of it, and don't overestimate the benefits of it. And to make it work, you have to have common decision criteria and values, because that's the ultimate control mechanism. Therefore, to satisfy number one, you've got to be an economist. And for number two, you have to understand the aesthetics of management.