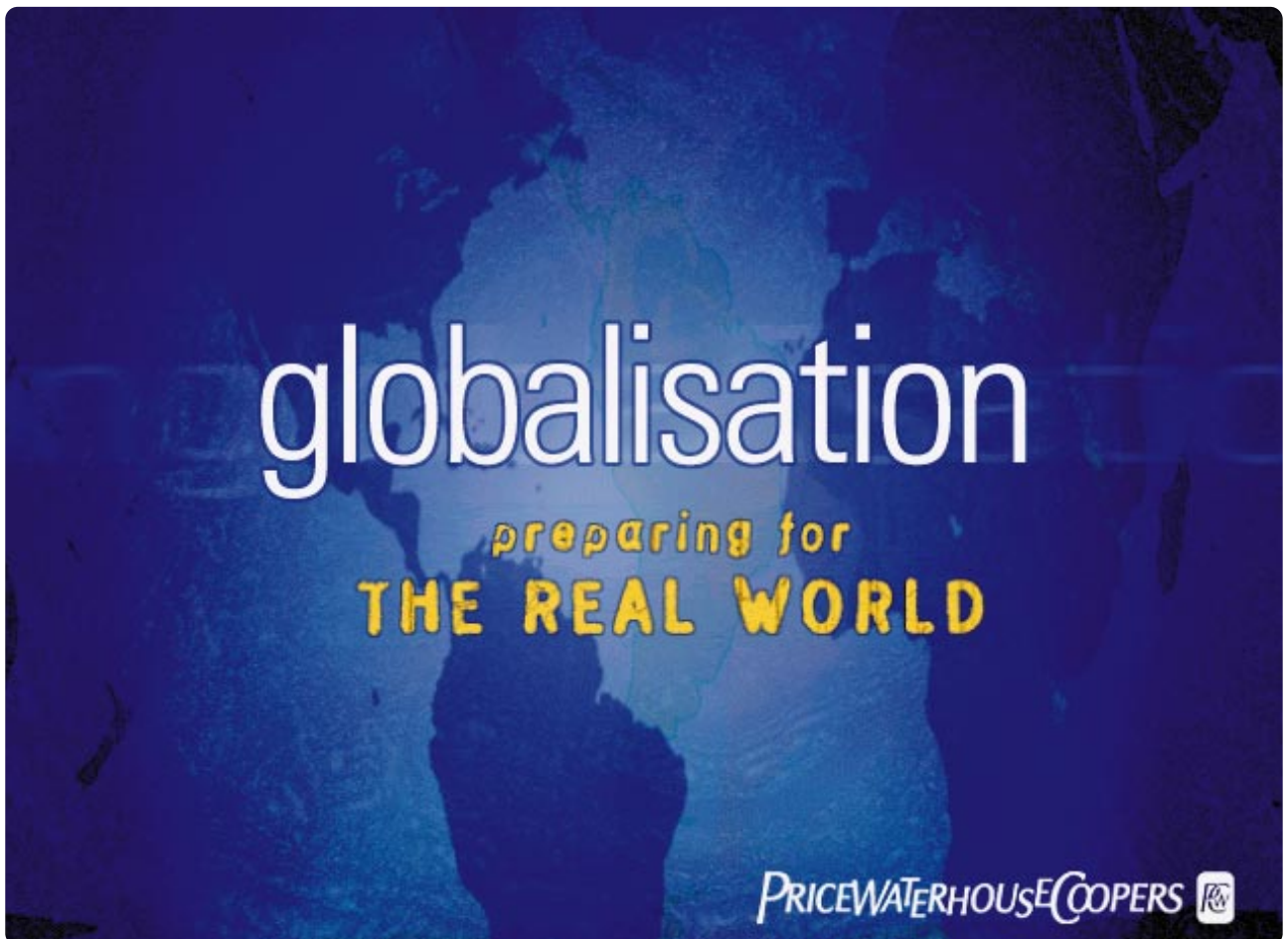


Globalisation Preparing for the real world





We'll be covering the following topics in this presentation:

Facing the facts

What the facts say about the interdependence of countries and companies worldwide

Creating the climate

The forces driving globalisation forward at an ever increasing speed

Remembering the rewards

Why globalisation makes shrewd economic sense

Challenging the complexities

How to balance the seemingly contradictory responses of globalisation

Optimising the opportunities

What your company needs to do to develop a global strategy

Diagnosing the dimensions

How we can evaluate your current global capability



According to the authors of Straight from the CEO, 'Globalisation' is a term that triggers strong emotions.¹ Depending on your point of view, it is 'dreaded or admired, perceived as a great leap forward or a stumble backward.' However, whatever your feelings are towards it, there is no denying that a new economic reality exists.

These facts demonstrate that there is a growing economic interdependence of countries and companies worldwide, as such, no organisation can afford to ignore the opportunities and risks created by this new order.

FACING THE FACTS The threshold of a new economic revolution



*Of the world's top 100 economies,
only 49 are countries.
51 are now global corporations.*

FACT

PRICEWATERHOUSECOOPERS

FACING THE FACTS The threshold of a new economic revolution




*The combined sales of the
top 200 transnational companies
are far greater than a quarter of
the world's economic activity*

FACT

PRICEWATERHOUSECOOPERS

FACING THE FACTS The threshold of a new economic revolution



*There are 40,000 corporations in the world
whose activities cross national boundaries,
these firms play overseas markets
through some 250,000 foreign affiliates.*

FACT

PRICEWATERHOUSECOOPERS

If your business is managed on a purely domestic basis, or as a loose federation of subsidiaries, in the near future you may not be in a position to compete with the growing numbers of organisations which are integrating their business on a world wide basis, and gaining a competitive advantage.

Many organisations claim to be global, however, very few are actually 'Masters of Globalisation'. These masters have business strategies based on successfully penetrating and integrating markets around the world with the aim of dominating their market segment.² The journal, Global Finance, evaluated data for the last fiscal year from hundreds of major international manufacturing and service organisations, to identify those companies which had earned strategic competitive advantage by virtue of their globalisation. Of the 150 'masters' chosen, US companies dominated the list, claiming 64 of the 150 positions. Consumer companies represent the largest group (26), followed by technology companies.

FACING THE FACTS *Gaining the competitive edge*

es Globa

GLOBALIZATION
Industry's Biggest Marketing Challenge
Is Ahead: Whitwam

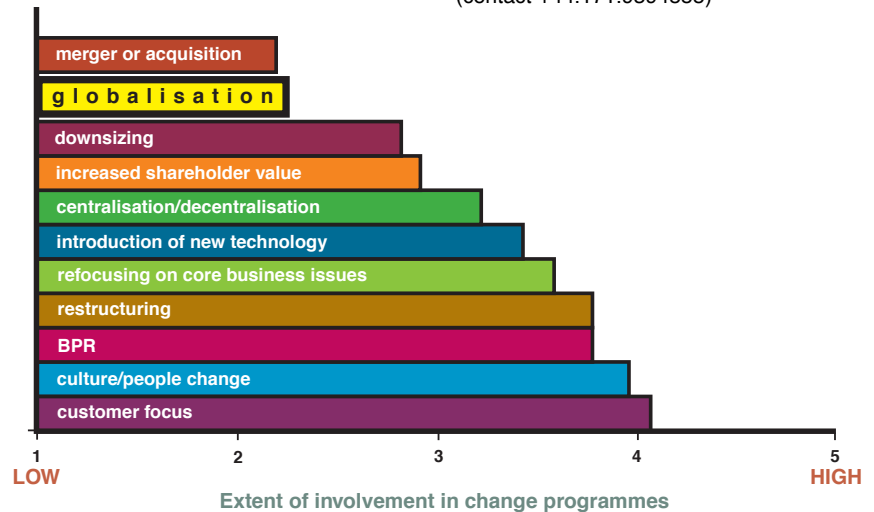
global guns
international plan

*'Today we live and work in a **global economy**
in which companies routinely cross
established national boundaries to
compete for markets and customers'*

Taylor & Weber 1996

Surprisingly, the 1996/7 PW/MORI Change Management Survey of 500 organisations worldwide, indicated that change programmes to support Globalisation are still not high on most organisations' agenda.³ However, the results do not suggest that there is little evidence for the existence of globalisation (and indeed mergers and acquisitions), but that change programmes accompanying the organisational changes and process integration are not common. This may be because organisations, realising the enormity of the challenge, are still grappling with the complexities and dimensions of globalisation.

The survey was commissioned to identify the key issues regarding change programmes in organisations today. The question being referred to in this instance, asked respondents to rate on a scale of one to five, the extent of their involvement in different types of current change programmes (where one = not at all involved to five = extremely involved)



PW/MORI 1997 survey – brochures detailing particular aspects of this survey (Coping with Chaos) can be obtained from the **PricewaterhouseCoopers European Knowledge Centre** (contact +44.171.9394555)

FACING THE FACTS *Seeing the global picture*



Surprisingly, our 1997 PW/MORI survey of 500 organisations worldwide, indicated that change programmes to support globalisation are still not on most organisations' agendas

Taken together, changes in the customer, market legislation, market entrance, technology, competition and costs are fuelling globalisation. Certain drivers have a greater influence on particular industries, or indeed on certain organisational processes. For example, manufacturing organisations may benefit more from falling transportation costs, while service industries may find greater benefits in advances in telecommunications technology.

George Yip notes that the most successful strategies find a balance between overglobalising and underglobalising.⁴ The ideal strategy matches the level of globalisation to the globalisation potential of the industry.



Customers

There are obvious contradictory customer forces at work – at one end of the spectrum there is the homogenisation of tastes and lifestyles, and at the other, there is the need to provide products/services which accommodate local customs and habits. Achieving the balance between these factors is difficult, but it brings great global returns!

Accommodation of customer expectations

In order to produce and sell globally, there may be a need to meet different requirements for a product or service. According to David Whitwam, CEO of **Whirlpool**, in Japan where fewer women have entered the workforce than in the US, housewives prefer to be more ‘involved’ with their laundry.⁵ So twin tub washers, where you transfer clothes from the wash to the spin cycle, still account for half of the all washers sold there... unthinkable in the US, where twin tubs are considered a Third World technology.

McDonald’s restaurants in India do not serve any beef products – vegiburgers, or burgers made with lamb are more appropriate. In Saudi Arabia, the company has a restaurant with two dining rooms – one for men and the other for women and children.

Pervasive customer focus

Gaining a global competitive advantage by creating a pervasive customer focus in all aspects of the customer relationship is fast becoming the norm.

Rhinesmith notes that the quality of service is fast becoming commoditised – it is now a minimum entry point into global competition.⁶

This is substantiated in the PwMORI 1996/7 change management survey: Involvement in Customer Focus change programmes was rated highest (rated by respondents from 500 organisations world-wide – see page five)³

Convergence of customer preferences

As tastes are becoming homogenised to a certain degree, there is a convergence of lifestyles. This could be attributed to the fact that per capita income is converging among industrialised nations. According to Kenichi Ohmae, consumers everywhere above the \$10,000 per capita level behave in similar ways.⁵ Common customer needs make it easier to participate in major markets because a few product varieties can serve many markets, for example, Perrier in America and McDonald’s in France.

The English language is now the official language in 45 countries, and is spoken by more than a billion people worldwide.⁷ This makes global advertising much easier and serves to create global demand.

CREATING THE CLIMATE Customers

Accommodation of customer expectations

Pervasive customer focus

Convergence of customer preferences

PRICEWATERHOUSECOOPERS

Markets

Gaining share in different markets has been facilitated by, amongst other factors, a relaxation of trade barriers, creation of trading blocs and the opening up of new markets.

Governmental policies, national regulations and politics heavily influence the degree to which markets can be accessed and fully explored.

The advantages of operating in a number of different markets include exploitation of economies of scale and greater bargaining power with suppliers and distribution channels.⁴

However, these opportunities must be balanced against the costs of co-ordination (such as management costs, trade barrier costs, and so on).

Opening up new markets

China and the former Soviet Union have contributed greatly to the incentive to go global. Nearly two billion inhabitants of China and former Soviet Union are now making the transition to market-based economies. This accounts for 40% of the world's population who are now more active in global commerce.

Coca-Cola estimates that by the end of next year, the US may account for no more than 10% of its profits. Robert Keough (President of Coca-Cola in 1991) once said: 'When I think of Indonesia - a country on the equator with 180,000,000 people, a median age of 18, and a Moslem ban on alcohol - I feel I know what heaven looks like!' (Cohen, 1991 in Rhinesmith, p.54)⁵

Liberalisation of regulations

This is clearly evident:

Between 1970 and 1997 the number of countries that eliminated exchange controls jumped from 35 to 137.

Since 1991, 570 changes have been made to liberalise regulations effecting foreign investment.⁸

Creation of trading blocs

Such as the EU, NAFTA, ASEAN and relevant trade treaties, have further encouraged trade on larger scale, providing favourable circumstances for companies to establish operations outside of their home country.

1,330 bilateral investment treaties involving 162 countries are now in effect.⁸

CREATING THE CLIMATE Markets



Opening up new markets

Liberalisation of regulations

Creation of trading blocs

Technology

Technology changes the way work can be done in terms of production; co-ordination and management and is possibly the key facilitator of globalisation.

Increasing power of technology

The amount of information that can be stored, transferred and used is exponentially increasing. In 1998, a single PC on a British Airways' employee's desk is more powerful than the company's IBM mainframe was in 1973, which held the records of the entire airline.

Shrinking communication barriers

These are making national borders meaningless. Co-ordination and management through e-mail; video conferencing and knowledge databases shrink distances and ignore time zones, allowing for seamless information flow.

More than 80% of the market value of the ten leading 500 companies is intellectual capital.¹ Knowledge

management creates value from Intellectual capital eg groupware technology communicates and organises unpredictable information allowing dynamic groups to interact across time and space.

Linking value chains

This is at the core of globalisation. **Xerox** connects design, engineering and manufacturing personnel within its system of local area networks – end to end value chains which do not need to be located in one country.

Dow Chemical utilises high-speed information tools to operate integrated global production scheduling. Using a computerised linear programming model, the company evaluates everything from currency and tax rates to transportation and local production costs to identify the cheapest maker of each product. In some cases, the network chooses among factories on three continents to supply customers throughout the world.⁹

The Internet, doubling in size annually, is thought to be developing into an autonomous global market.¹⁰

Examples range from 'virtual companies' such as **Amazon.com** which offers customers a huge selection of books and delivers worldwide, to **Federal Express**, which uses the web to reduce its customer service costs by enabling users to arrange package pick-up, track delivery status and order merchandise.

CREATING THE CLIMATE Technology

Increasing power of technology

Shrinking communication barriers

Linking value chains

PRICEWATERHOUSECOOPERS

The phenomenal progression of technology can be seen in the example of a simple birthday card.

A greetings card that sings 'happy birthday' contains more computer power than existed on the earth before 1950 (source: Don Tapscott, The Digital Economy)¹¹

CREATING THE CLIMATE Technology



*A greetings card that plays 'Happy Birthday'
contains more computing power
than existed on the earth before 1950*

Don Tapscott 'The Digital Economy'

Competition

The lure of leveraging existing products in new markets as domestic markets become saturated is creating an economic battle ground. Market share muscle is becoming the order of the day, as organisations turn to alliances, mergers and joint ventures.

Increasing number of strategic alliances

As the level of world trade increases, more and more countries are becoming competitive war zones, evident in the increasing number of strategic alliances across national boundaries.

Gaining market share and sharing resources have led to relationships between such organisations as British Airways and American Airlines; Chase Manhattan and Chemical Bank, Price Waterhouse and Coopers Lybrand, to name just a few. Joint ventures are also attractive strategic moves, especially since they allow for spread of risk (particularly important in volatile markets, such as Asia).

Serving global customers

Global organisations may buy on a centralised basis for decentralised use, or at a minimum they select vendors centrally. In serving these global customers, a supplier needs to be present in all the customer's major markets.⁶

For example, the US advertising agency that used to have the **Coca-Cola** account was unable to serve Coca-Cola when it expanded to Brazil. So **McCann-Erikson**, another American agency, took the account in Brazil. Then McCann used the Brazilian relationship to win the entire Coca-Cola account world-wide

Ford, in its Ford 2000 globalisation effort, hopes to reduce its suppliers by 90%, from 50,000 to 5,000.⁶ The only suppliers will be those who can deliver their products on time to vehicle design centres and manufacturing and assembly plants throughout the world.

Consolidating global market position

Consolidating a market position may lead organisations to enter and dominate a market before a competitor does.

Just such an example is **Becton Dickenson**.¹² In an effort to prevent the Japanese from becoming a competitive nuisance in disposable syringes, this major American medical products company decided to enter three markets in the Japanese's 'backyard'. Becton entered the Hong Kong, Singapore and Philippine markets to prevent further Japanese penetration

There is also the 'domino effect' in that when one national frontier is crossed, it becomes easier and easier to cross others (especially if there are market similarities).

CREATING THE CLIMATE Competition

Increasing number of strategic alliances

Serving global customers

Consolidating global market position

PRICEWATERHOUSECOOPERS

Cost

Globalisation is also driven by the lure of attaining economies of scale. Pooling production and taking advantage of lower factor costs in different countries, together with falling communication and transport costs, means that business on a global scale can be cheaper!

Reduction in communication costs
 With increased competition, deregulation and advanced technology in the telecomms industry, a reduction in telecommunication costs has allowed global business to thrive.

Over the last 60 years the cost of a three minute telephone call between New York and London fell from \$244.65 to \$3.32.⁸

Competitive transport costs
 These have also enabled greater movement of people and cheaper flow of products.

The unit cost of sea freight fell 70% in real terms between the early 80's to 1996.

Between 1930 and 1990 the average revenue per mile in air transport fell from 68 cents to eleven cents.⁸

Differences in country costs
 There is a strong incentive to concentrate activities in those countries with lower factor costs.

Volkswagen, under attack from lower priced cars, saw the need to reduce its costs. In Spain, hourly costs have been less than those in Germany. To take advantage of this differential, the company moved production of Polos from Wolfsburg to Spain, freeing up the high-wage German labour to produce the higher priced Golf cars.

Exchange rates and their fluctuation provide a major source of variation in costs between countries, as a result have a key impact on the decision on where to locate production or source inputs.

CREATING THE CLIMATE *Cost*

Reduction in telecommunication costs

Competitive transport rates

Differences in country costs

PRICEWATERHOUSECOOPERS

Despite the complexity, globalisation is worth the effort. A study undertaken by **Templeton College** and **Citibank** looked at the links between globality and performance in the period 1987 to 1996.¹³ They studied 50 of the largest firms in four sectors – pharmaceuticals, food manufacturing, chemicals and automobile components. The organisations in each sector were compared using a globality index. This index is a weighted formula based on the proportions of firm's assets, sales and operating income which were foreign.

The study concluded:

- That there was a marked increase in globalisation across all four sectors;
- There was a strong positive connection identified between globalisation and performance;
- The more global organisations definitely fared better than their less global competitors;
- Performance may initially suffer due to high globalisation start-up costs, however pay-off comes in the longer term;
- There were significant industry differences, with the relationship between performance and globalisation being strongest in the pharmaceutical sector, followed by food manufacturing, chemicals and then auto components.

The graphs referring to the pharmaceutical and food industries indicate the following interesting aspects of the globalisation process: Sometimes performance can initially suffer due to high globalisation start-up costs, however, the payoff comes in the longer term. In some industries (eg food industry) there are markets for both more global and less global players but the more global players still perform best.



The whole is better than the sum of the parts

The global corporation is a very different animal to the multinational organisation. It has to function as a single organism and must be more closely integrated across all functional and geographic areas – hence the word seamless is key to defining effective globalisation. It implies optimising results for the whole organisation by:

Integrating organisational strategies

There is an emphasis on managing the organisation as a whole, not as a collection of individual subsidiaries or markets which characterises a traditional multinational organisation.

Leveraging resources world-wide

There is an emphasis on enabling efficiencies through sharing knowledge and operating in the most 'appropriate' location (from a cost and market point of view).

Permeable boundaries

There is an emphasis on breaking down inhibiting boundaries by building relationships between and across organisational levels, functions, suppliers, regulators, customers, markets and cultures.

CHALLENGING THE COMPLEXITIES

The whole is better than the sum of the parts



Globalisation is the process by which an organisation builds its strategies and competencies to operate seamlessly across national boundaries

Globalisation is fraught with seemingly contradictory responses

However, the rewards attained from globalisation are not simply through spread of operations. There are a number of strategic and operational issues which need to be managed.

Competing with other global organisations, while maintaining partnerships to share certain resources – Swisscom uses a global alliance to provide complementary services in any world market.¹ Members of the AT&T-Unisource alliance, deliver each others customer traffic to its final destination. The alliance also offers global solutions – for example, international intranets and Virtual Private Networks – that no one company would be able to offer on its own.

Leveraging opportunities in new markets, while containing risks – Itochu derives \$120 billion in annual sales from over a thousand subsidiaries, employing more than 10,000 people who handle a cornucopia of different industrial and consumer products.¹ Itochu has taken major positions in a diverse portfolio of strategic and

technological assets, ranging from more than a score of industrial and distribution system set-ups stretching from East to West.

Instilling a global organisation culture while being aware of national cultures – ABB (Asea Brown Boveri) was founded in 1988 by merging and acquiring companies in many countries – many of them more than 100 years old with proud national histories.¹ While the national cultures are respected and promoted, ABB has developed a global culture – an ‘umbrella’ culture. This is what holds the national companies together and makes the entire company stronger. ABB has summarised their visions, values and policies in a sort of ‘ABB Bible’.

Being globally efficient while being locally responsive – PricewaterhouseCoopers evolved a global structure with superior responsiveness to client needs, and a more finely tuned service delivery of its knowledge resources from/to local bases. For example, a few years ago

our supply-chain consultants were concentrated in our largest regions: US and European markets. Today, such geographically limited deployment is inconceivable. There is a need to maintain a dynamic network of supply chain experts from Zimbabwe to Singapore.

Standardisation of products while reflecting unique socio-cultural issues – Carlsberg beers are currently sold in 120 countries, a high number considering that the top six global brands (Colgate, Lipton, Lux, Maggi, Nescafé and Palmolive) are sold in no more than 67 countries.¹ While Carlsberg headquarters impose the uniformity, consistency and continuity necessary to give brands their lasting identity and power, local operators are given considerable latitude to respond to local market conditions.

With beer, the big variable is bitterness. The product formulation of a global beer has to adapt preferences on the bitterness scale at the local level, while still maintaining the brand’s ‘fingerprint’.

CONTRADICTION RESPONSES



<i>competition</i>	<i>partnerships</i>
<i>opportunities</i>	<i>risks</i>
<i>global culture</i>	<i>national cultures</i>
<i>global efficiency</i>	<i>local responsiveness</i>
<i>standardisation</i>	<i>customisation</i>



Given that globalisation is such a complex, yet rewarding undertaking, where would you want to start?

Is it about developing the right people?

'Global managers are not born – they must be developed. Among our twenty-five thousand managers we need some five hundred truly global managers with global business responsibilities. One key route to creating this group is to transfer promising young managers to other countries.'

Percy Barnevik (Asea Brown Boveri)¹

Is it about integrating the right operations?

'At Philips, the focus is no longer on making stand-alone electronic products, the strategy is now moving toward an emphasis on creating total systems that combine the products and services of Philips – and those of other companies, even competitors – into turnkey solutions that add value for customers and build profits for Philips.'

Justus Veeneklaas (Philips Australia)¹

Is it about building the right organisation structure?

'We decided to transform the enterprise into a truly global group and not just a sum of national, single-minded companies. We felt this would allow us to meet the demands coming from clients who were themselves international.'

Serge Tchuruk (Alcatel Alsthom)¹

Is it about having the right strategic response?

'We have two options: We can wait for our competitors to make it happen and say, 'We want to be like those companies.' Or we can get out in front, shape the globalisation of this industry, and let other people try to catch up with us. We're pursuing the second option.'

David Whitwam (Whirlpool)⁵

Is it about creating the right culture?

'Whether addressing key product development priorities or implementing sophisticated enterprise wide computer systems, the dismissive 'not invented here' attitude has no place in a culture of challenge and renewal.'

Eckhard Pfeiffer (Compaq)¹



Following a global strategy has an impact on all aspects of the organisation. Some elements of the organisation, depending on the environment, industry and operational context, need different levels of attention than others. However, in order to assess the impact, the full intervention landscape has to be identified and organised into an effective framework.

You need to:

Choose the right direction: this refers to your mission; objectives; strategies; structure; leadership and culture.

Build strong strategic deployment capability: this refers to your management processes.

Select effective operational moves: this refers to your business processes; information technology; people and infrastructure.

OPTIMISING THE OPPORTUNITIES



Choose the right direction

Build strategic deployment capability

Select effective operational moves

Managers don't need a perfect crystal ball to forecast the timing of globalisation. But what they do urgently need is vigilance and preparedness in developing capabilities and aptitudes for globalism.

They need to decide where to make key interventions, focusing on enabling three critical success factors:

Global Visibility

Global Mindset

Global Capability

You cannot be successful on a global scale without all three being evident to some degree.

Visibility

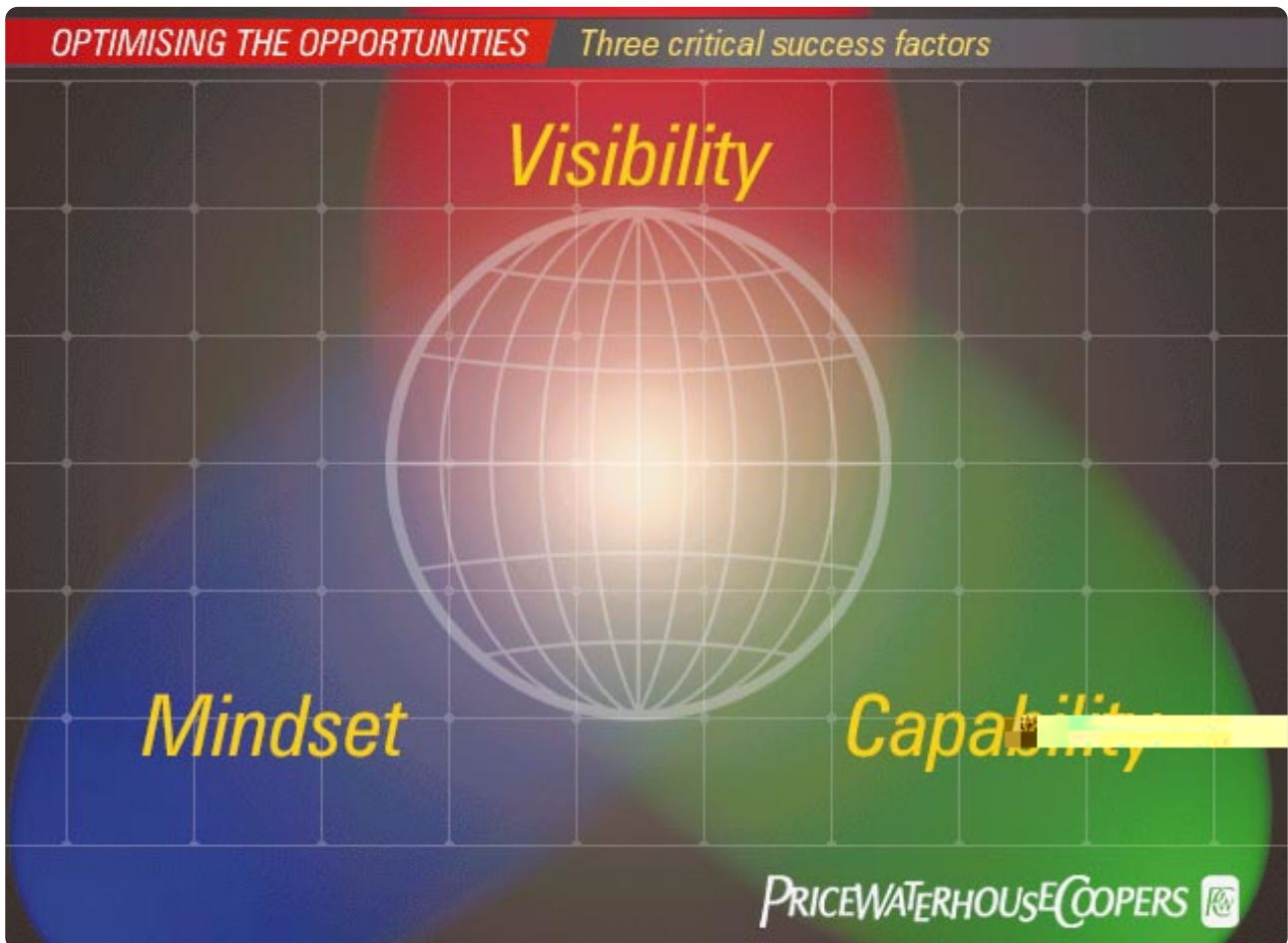
Transparency of all operations around the world, enabling the comparison of strategies, information and resources for effective utilisation and deployment decisions.

Mindset

Making decisions from the perspective of the global organisation, rather than a purely national, regional or local perspective. Understanding and being able to work effectively with cross-cultural differences.

Capability

Leveraging and integrating competencies, processes and business systems across all operations to optimise global organisation performance.



Visibility

Visibility helps to create an efficient and seamless inflow and outflow of information between the external environment and the organisation, thereby enabling the identification of opportunities and problems on a world-wide basis.

Key issues include how to:

Communicate strategic information

Enhanced by new technologies, some organisations are taking advantage of the new communication tools to improve information flows within the organisation.

British Petroleum's top 300 managers worldwide are connected via video conferencing technology in their offices. In other companies, computer-based technology known as Group Decision Support System (GDSS) facilitates group discussions, group brainstorming and team sessions by allowing participants to contribute their ideas simultaneously.

Identify distinctive opportunities

The ability to track and monitor changes in the environment is key. Volkswagen changes locations for products to take advantage of different country costs, for example they moved manufacturing the Polo from Wolfsburg to Spain to free up higher wage labour for higher priced Golf cars.

Alfred Zeilen, CEO of **Gillette** responded to the Asian crisis by slicing spending on marketing there.¹⁴ 'Why should we spend a lot of time and money trying to sell our products in Malaysia right now?' asks Zeilen 'We'll focus on eastern Europe instead.' This would be difficult if operations in different regions were treated differently and viewed through separate 'lenses'.

Optimise strategic partnerships

Strategic alliances with other telecom operators have enabled **Swisscom** to deliver global solutions which no one company could achieve alone.¹

Competitive advantages to consortium members include global reach, economies of scale and scope, common service offerings, single brand promotion, joint procurement, network standardisation and development collaboration.

Another example includes **Sun Microsystems**.¹⁵ The company's growth has been greatly enhanced by the structuring of links with firms that conventionally would have been arch rivals: Sun built its empire using chips from Toshiba and NEC of Japan; outsourced microprocessor production to Fujitsu; bought chips made from several American firms in Scotland, Singapore, Japan and Philippines and equipment made in Germany, Great Britain, the Netherlands and Switzerland; and called on TEL of Japan to market its products in Asia.

OPTIMISING THE OPPORTUNITIES *Visibility*



Communicate strategic information

Identify distinctive opportunities

Optimise strategic partnerships

Mindset

There is a need for people in the organisation to be able to interpret issues as they affect the organisation as a whole as well as being able to assess the implications of local issues.

Build global competencies

To gain an international perspective, attention needs to be paid to the development of personnel. Identification of global talent is essential to **Chubb & Son Inc.**¹⁶ With more than 15% of the company's employees outside the US, and rapid overseas growth, global awareness is a must-have criteria for every new hire.

To progress to senior manager level in **SmithKline Beecham**, individuals must have achieved 2x2x2 ('I've worked in two companies, two countries, two functions').

Define global values

Merely sticking the word 'global' into the company mission statement does NOT make for global values.

At **Canon**, decisions are based upon a corporate philosophy of 'kyosei', or living and working together for the common good – the world-wide common good.¹⁷ Some instances of putting kyosei into practice include: the Tshushin Corporate Plan, which emphasises 'heart-to-heart and mind-to-mind' communication to help breakdown cultural barriers.

Don Argus of the **National Australia Bank Group** states that 'Managing globally means that the company's values must be relevant in the US, or the UK, or Asia, as well as Australia or New Zealand. This need has been met by carefully blending the core values with local requirements world wide. The values aren't different, but their application may be different in some areas.'

Management of Diversity

To globalise effectively, there is a need to utilise and value the many different strengths inherent in employees world-wide.

After decades of routinely appointing managers from its domestic operations to key positions in overseas subsidiaries, **Proctor & Gamble** came to understand that this practice not only was insensitive to local cultural needs but greatly underutilised its pool of non-American international managers who were often more appropriate for international positions.⁶

OPTIMISING THE OPPORTUNITIES Mindset



Build global competencies

Define global values

Manage cultural diversity

Capability

The core ability is to be able to execute global strategy, locally. The following capabilities help ensure this.

Leverage resources

Whirlpool integrates geographical businesses wherever possible, so that the most advanced expertise in any one given area (whether it is refrigeration technology or distribution strategy) is not confined to one location or division. Aiding the design process is a special Whirlpool internet website for fridge features, containing details of about 170 ways of specifying or arranging parts of the fridge. An engineer in Brazil could look up on the website and borrow an idea that was already invented for a product in US or Europe.¹⁸

Mazda's sports-car was designed in California and financed in Tokyo and New York; its prototype was created in Worthing, England; and it was assembled in Michigan and Mexico using advanced electronic components invented in New Jersey and fabricated in Japan.⁶

Centres of expertise are pivotal in leveraging resources. **Philips'** has set up an 'international competence centre' in Australia. It serves as the key clearing house for new ideas and the development of best practices for Philip's digital broadband business world-wide.

Integrate processes

The ability to integrate processes is a key competitive edge, particularly if it accelerates product to market timescales.

At **Nike**, the designs for the products are developed in the US and then transmitted by satellite to CAD/CAM systems of the contractors, who develop and test them and then fax the detail to manufacturing location for production. The processes do not necessarily have to be downstream.

Allied Signal Inc's European operation, based in Paris, has an information system which contains information on 12,000 employees in 30 facilities, running the payroll for eight countries (France, Italy, Germany, UK,

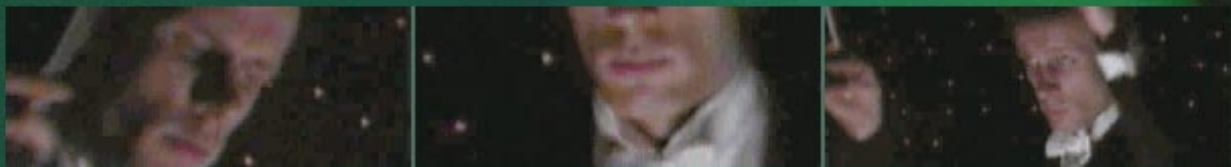
Ireland, Spain, Belgium, Netherlands) – allows them to eliminate duplicate tasks and standardise HR and payroll procedures.¹⁹

Development of cross-boundary teams

As a part of the implementation of **Ford's** 1995 global organisational structure, in which 25,000 employees found themselves working with new colleagues, many of whom in different countries, Ford conducted a leadership preparation programme for its top 3000 managers.

The benefits of cross-boundary teams become clear very quickly – 180 Whirlpool product engineers brought together from across the US and Germany have realised that differences between them are fewer than they thought. Consequently, the six basic platforms used to support different dishwasher models will be cut to three by 2002.¹⁸

OPTIMISING THE OPPORTUNITIES *Capability*



Leverage resources

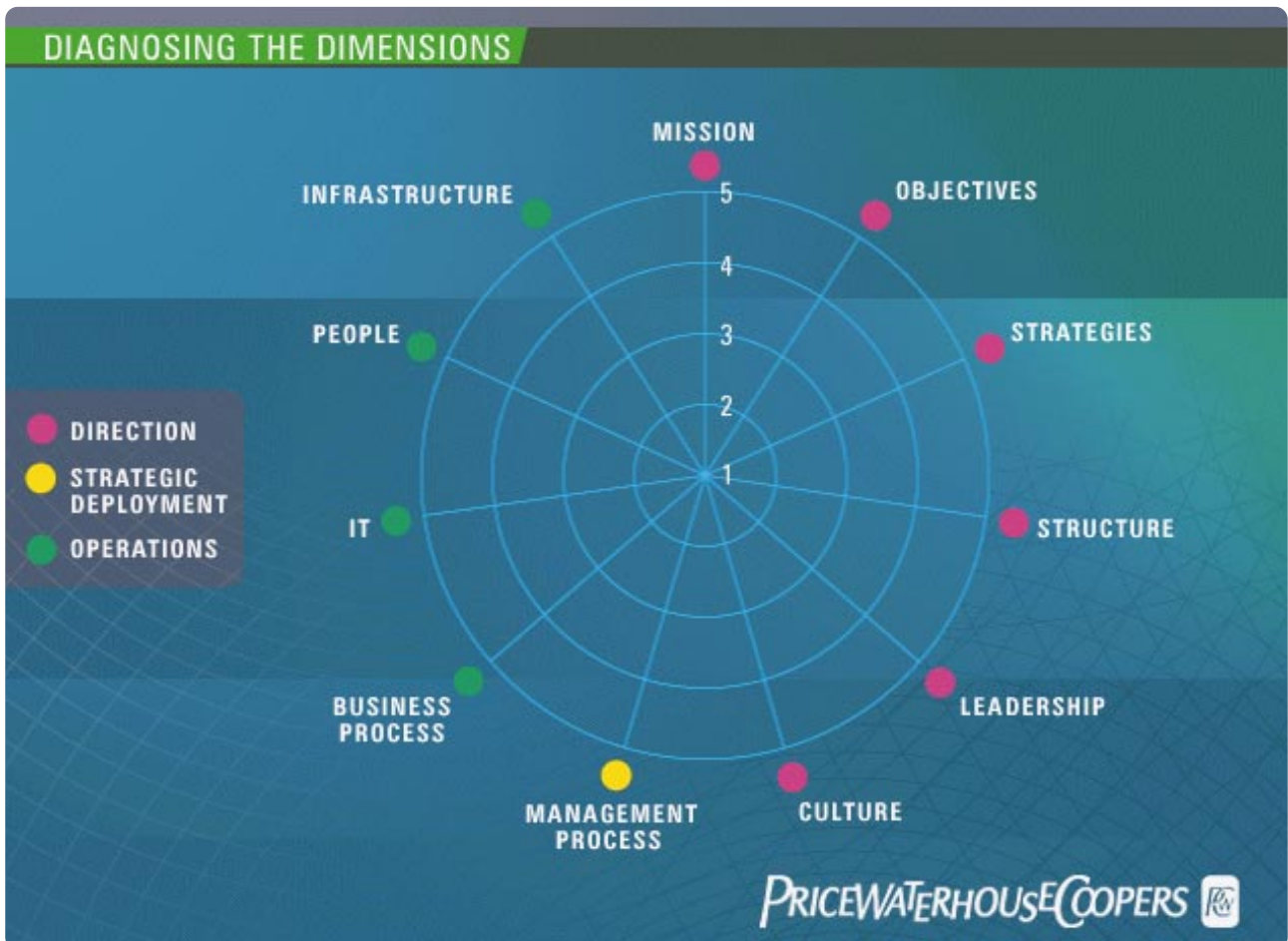
Integrate processes

Develop cross-boundary teams

Visibility, mindset and capability are critical success factors which need to be built into those areas of your organisation identified as key global impact areas.

We have an established approach for developing an organisation's ability to excel on a global basis. Our initial evaluation includes a diagnostic which highlights issues at a number of different levels. Once identified, the priority issues can be probed further, leading to the development of a change plan and subsequent implementation actions.

The next few slides illustrate particular issues affecting an organisation's global capability – before we intervened. The analysis is presented in the form of a **GeoMetric**: a diagnostic tool which is designed to identify, at a high level, the extent to which key organisational elements contribute to the direction, strategic deployment and operational aspects of a global strategy.



SkyChefs

Background

Global supplier to the airline industry undertaking a major acquisition programme

Turnover: \$1.7bn

Number of employees: 25,000

Globalisation Issues

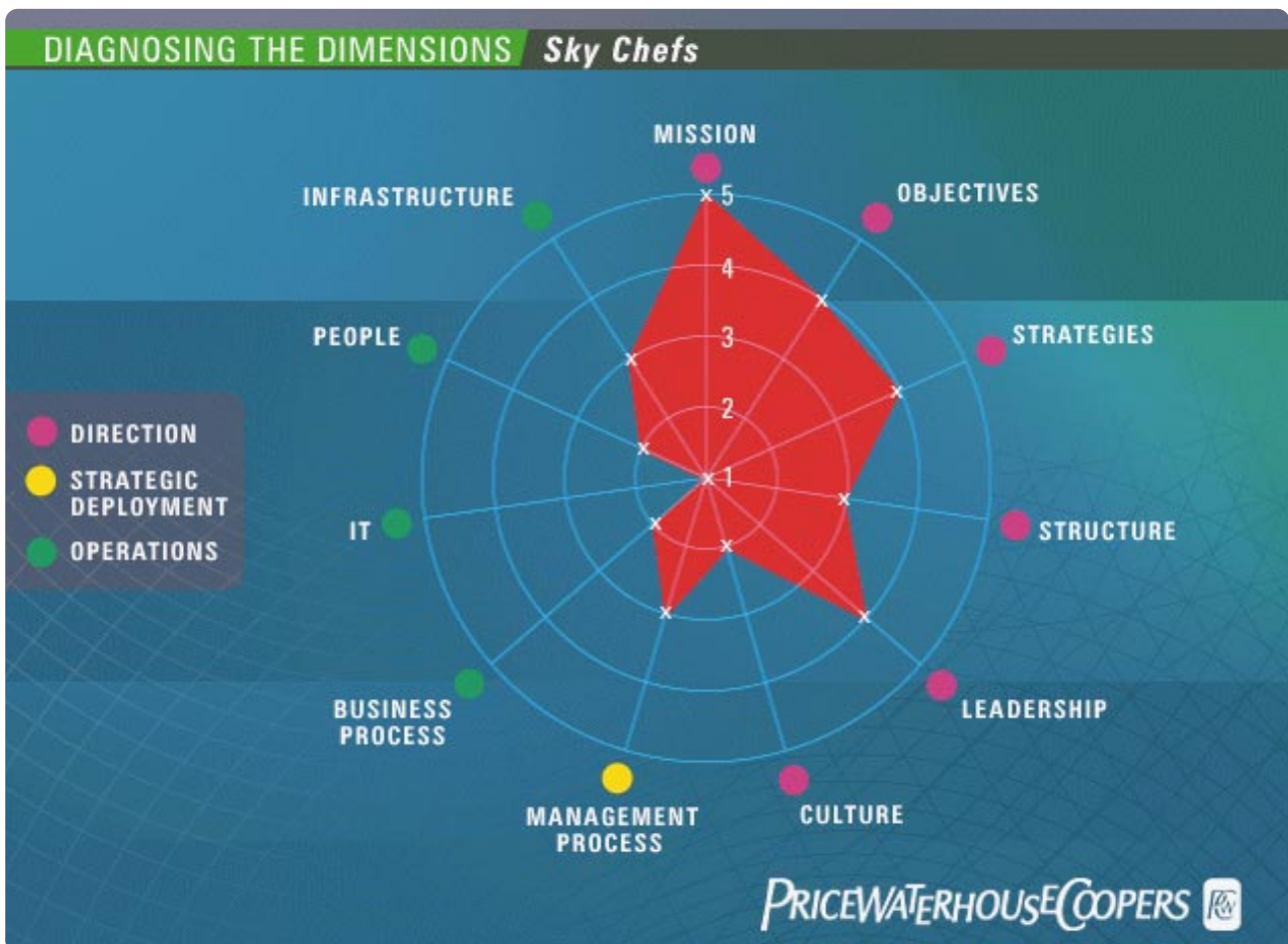
- Need for pay back on acquisitions
- Inconsistent management capabilities across territories
- Different operational processes across territories
- Patchy control systems in place
- Infrastructure incapable of quickly leveraging acquisition opportunities

Lessons learned

During an acquisition process give more attention (due diligence) to measuring value chain not simply metrics.

Allow sufficient time to re-build management processes across a disparate group of organisations.

Recognise the time constraints imposed by operating across different cultures/languages/regulations.



Background

Strategic joint venture between an American telecommunications giant and a European electronics giant to create a global consumer telephone and messaging products organisation
 Turnover: \$2.5 billion
 Number of employees: 12,000

Globalisation Issues

- New business model shifts power from regions to global lines of business.
- Demands a new mindset.
- Americans fear a European invasion, Europeans fear an American-centric approach to their markets.
- Asians feel further isolated by shift of global HQ from Paris to New Jersey.
- Internal competition (eg between development organisations in France and the US) distracts organisation from external competitors

Organisational cultures of previous entities were significantly different. A culture which prized an emphasis on processes (sometimes at the cost of speed) needed to be reconciled with a culture with a strong premium on speed to market (sometimes at the cost of quality processes).

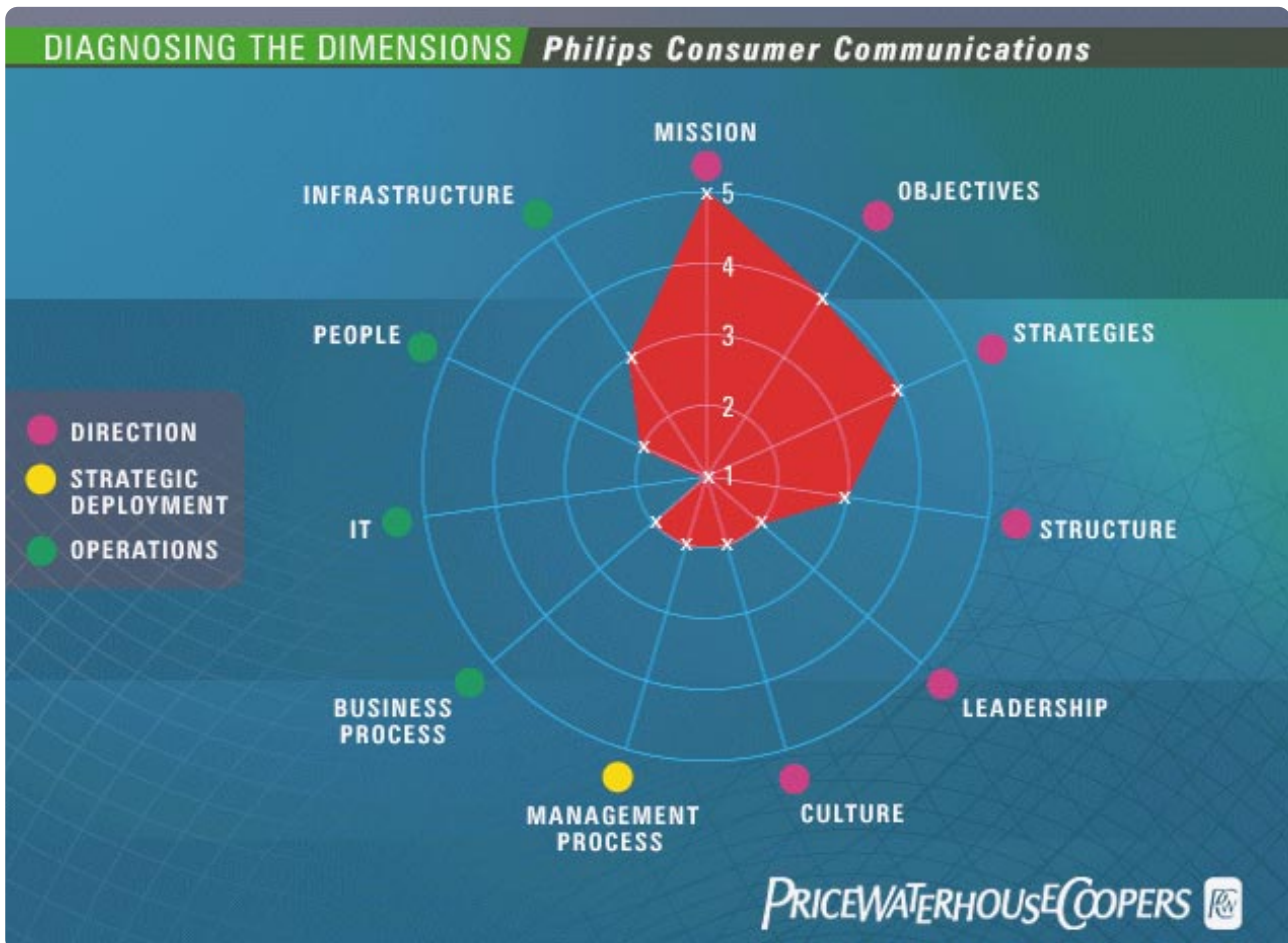
Lessons learned

While organisational structures can be designed and installed in concept, it takes time to build the shared understanding – and global trust – required to operate optimally.

As a business globalises, the skills and talent to move it forward change. The organisation must be ready and responsive to that change. It needs to recognise that not everyone will be able to work in that dynamic environment.

Joint ventures create a period of instability and uncertainty that drives a more inward and emotional response to the business and to change.

It is vital to remain focused on the customer, who is the only real arbiter.



British Aerospace

Background

Dominant player in consolidation of Euro defence industry.

Partner in Europe's biggest political alliances.

Supplier to major world governments

Turnover: \$10.3bn

Number of employees: 45,200

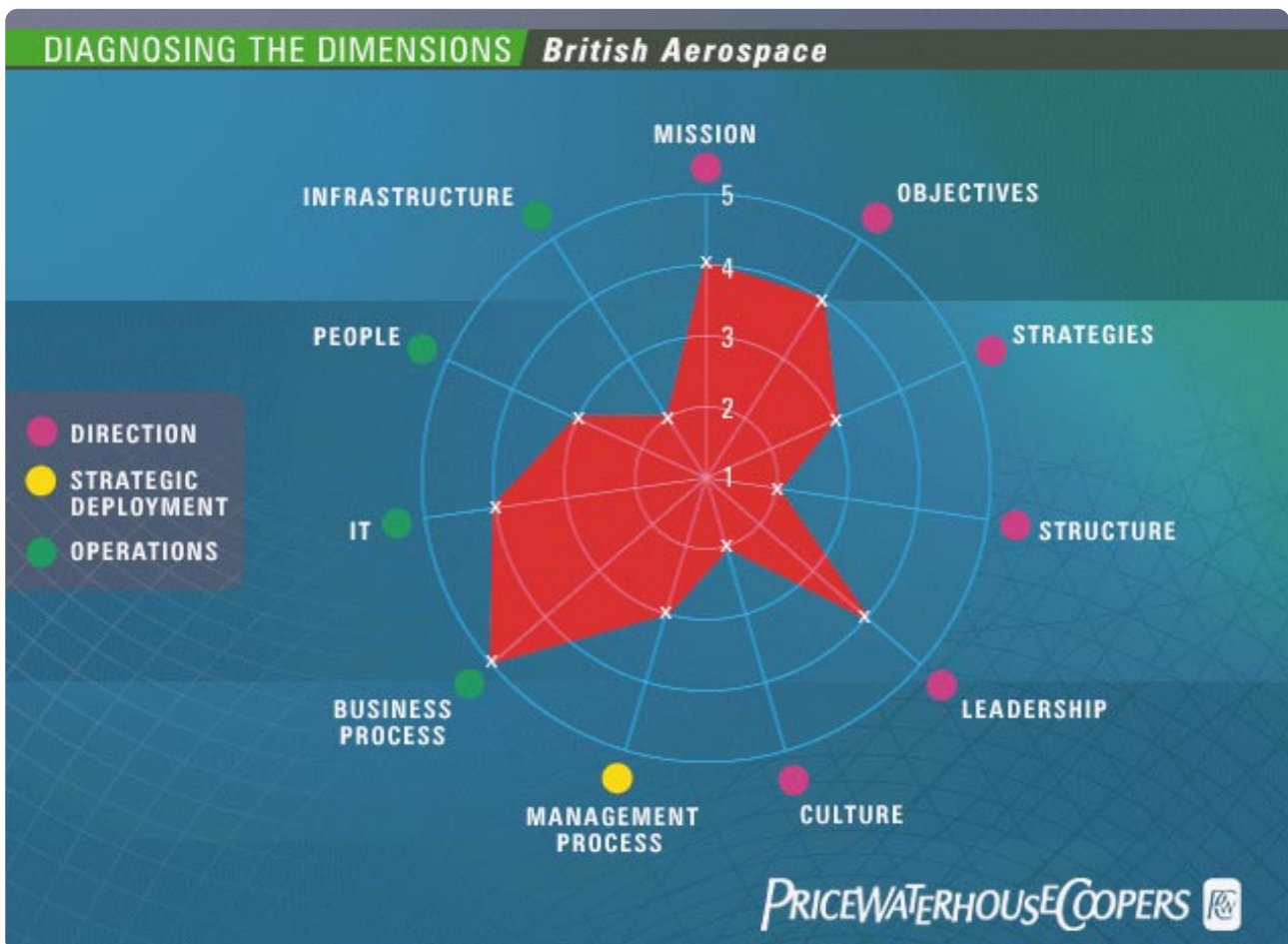
Globalisation Issues

- How to position for a leading role in European industry?
- How to sell different highly technical products to the same limited population of international markets?
- How to grow quickly to compete with global players?
- How to treat BAe people assigned to Joint Ventures (ie shared values)?

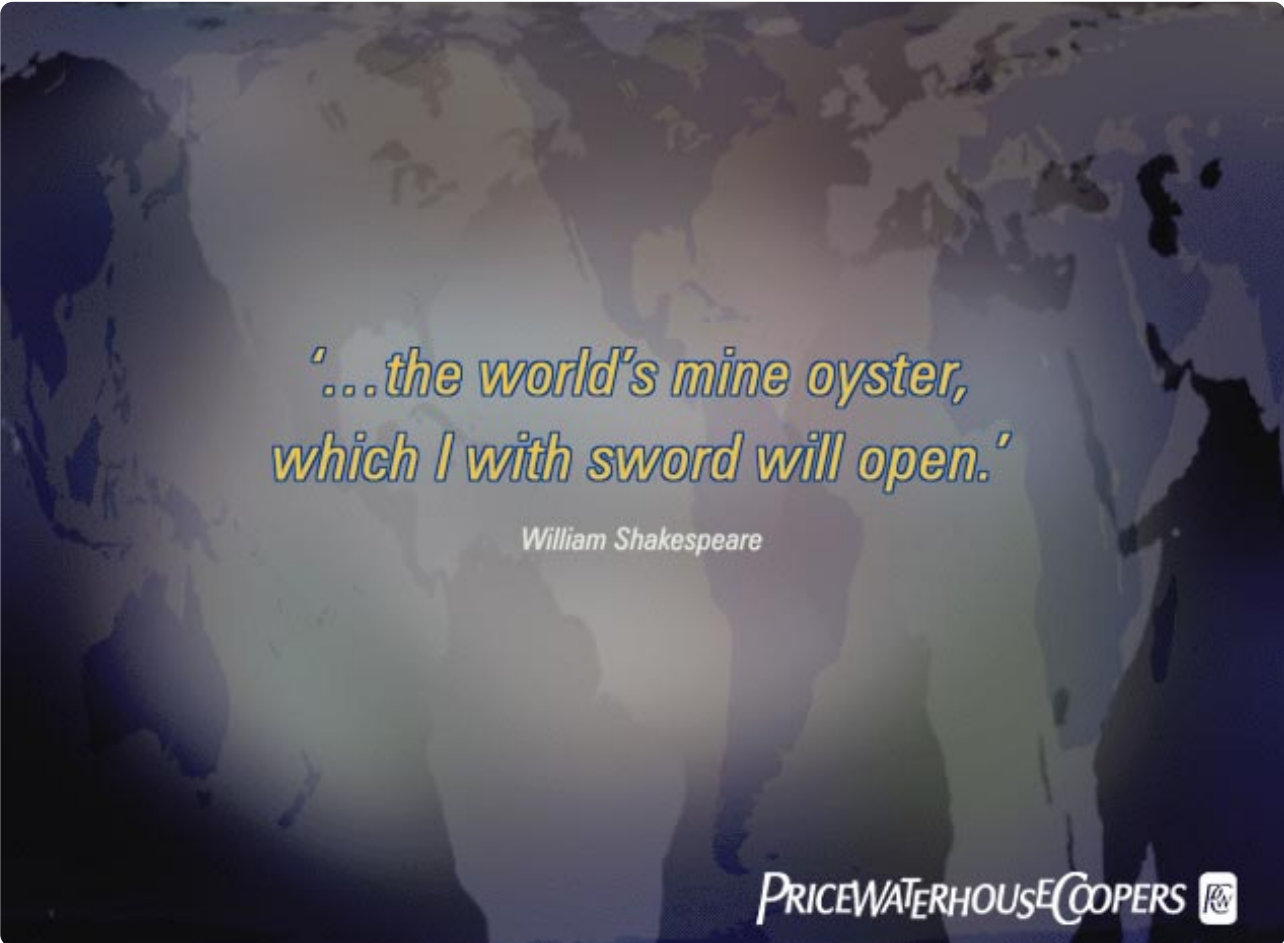
Lessons

Relationships between individuals are key to alliance structures/performance.

Joint ventures/alliances require a new infrastructure to deliver appropriate management information.



Globalisation is more of a journey than a destination. It is a multifaceted phenomenon, both real and symbolic, tangible and prospective.

A dark, stylized world map with a blue and purple color palette, serving as a background for the quote.

*'...the world's mine oyster,
which I with sword will open.'*

William Shakespeare

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