Building a Global Team of “A” Players: Challenges for Multinational Corporations

More and more one time regional companies are making their way onto the global stage. In this article, we explore the steps that multinational corporations should take to ensure they establish successful international operations from the outset

In America the propensity to observe U.S. companies growth in developing and emerging markets is the norm. What goes less noticed is the march of Asian, European and Latin American companies expanding across the world. The foreign multinational acceleration is fast catching up to the proliferation of American companies conducting business across the globe. From Asia, the Japanese companies accelerated global expansion in the 1980s, the Korean companies in the 1990s, the Indian companies in the 2000s and, increasingly, Chinese giants looking to build a global footprint. In this article, we look at the challenges faced by the multinational corporations in attracting and retaining a top-level senior team in different parts of the world from their home region.

Deepening globalization may have wrought a borderless business environment, but that does not mean that expanding internationally has become any less of a cultural minefield. The challenge of adapting established business and management practices to the unique requirements of a specific overseas market is extraordinarily difficult for all companies. We have witnessed some remarkable successes and some spectacular failures.

Interestingly, what Asian, European and Latin American companies are doing now is the mirror image of how Western multi-nationals have approached expansion into these same regions in past decades— sending expats to build the brand whilst struggling to attract and retain the best talent locally—and we witnessed the same remarkable successes and spectacular failures in that direction, too. In this article, we share our observations of the multi-national corporations’ most common missteps, as well as our advice for getting the expansion equation right.

Standard Operating Procedure

We see the pattern repeat itself again and again in slightly different ways but all with the same result.

A market leader, especially from Asia and Europe comes to America to open new markets and compete on the larger stage. This same phenomenon occurs with Asian companies going to Europe, European companies going to Asia and Western companies expanding in established and emerging global markets. Latin American companies lag the other regions in this expansion, but Latin America certainly plays a significant role in the overall global market. The multi-national sends trusted executives from their home operations—as part of their professional development— to head up overseas outposts. Asian, European, and Latin American executives are often paid less than comparable executives in the new country, and, restricted by home country pay scales, they are unable to hire talented managers to work for the organization. As a result, they create a team made up of “B” and “C” players, which then underperforms relative to the “A” players team competition. In addition, the senior executive usually does not understand the local market in detail, and performance deteriorates further. Just as he (almost always he) is getting a grip on the local market, his tour of duty ends, and a new executive is rotated in, who makes the same mistakes.

Sometimes, multi-nationals bite the bullet and hire a local executive to run the local operation, but that executive struggles to communicate with headquarters due to language, management style, mutual cultural incomprehension or all three. The level of distrust grows, and the executive is unable to secure the investment he needs to modify products for the local market or invest at the level needed to recruit the "A" player team. As the business underperforms, he loses the trust of headquarters. He is fired and is replaced by an expat from the home country once again. Sometimes, multi-national challengers will try to buy market position by acquiring most often a European or U.S. company, but, inevitably, they get derailed by similar issues. The company either replaces the senior management team with home country executives who may not understand the local market or it retains the acquired executives but doesn't empower them and doesn't support the necessary investment or change in strategic direction. The company underperforms, and the vicious cycle of deteriorating performance gains intensity until the multi-national company pulls the plug on what it sees as an ill-fated venture or withdraws back to the home market.

It does not have to happen this way. By giving more credence and a higher priority to preparation, establishing robust people processes and globalizing initiatives, multi-national companies can position themselves for success in the global market.

Planning Is Not Optional

In corporate life as in sports, you do not need a star player in every position to build a winning team, but you do need top talent in key roles. By performing a thorough market assessment in advance of setting up shop overseas—in other words, by doing your due diligence and homework first— multi-national companies can identify the roles most critical to the success of the business and invest in "A" players for those positions.

Having the right plan in place—and more significantly the right team to execute it—can increase the chances of global success.

Building the "A" Player Team

Many companies, for example, need little more than an "A" sales force management team to keep pace with the global competition. Others require a different lineup or a broader bench of talent. Businesses that will be subject to stringent regulation (defense, media, renewables, food and beverage, etc.) will need "A" type regulatory people: lawyers, lobbyists, insiders, etc. Those industries that compete on innovation—pharmaceuticals, biotechnology or software and consumer packaged goods and durables, for instance—will need "A" research and development and commercial sales & marketing teams in order to have any shot at all at the big league stakes. Likewise, in most industries, even investment banking, the company probably will need at least one local rainmaker on the team just to gain entry to the game.

There are many varying degrees and extremes, for example a highly connected and effective rainmaker in Europe or in the United States will be expensive—outrageously so to many Asians' eyes—but the returns in new business opportunities that such an individual will produce are likely to more than justify the initial investment.

Multi-national organizations that look to acquire companies overseas for market entry should consider conducting leadership due diligence. A thorough assessment of executive capabilities (by a third party) will enable them to build a shadow team (at least for critical roles) that includes a mix of talent from both organizations. This shadow team should be approved by the board and will ensure that an “A” player team is in place to run the company from day one post-acquisition.

Branding and the Employee Value Proposition

Many multi-national companies are accustomed to attracting the very best in their home countries, but they have a much weaker employee value proposition in the global marketplace. Attracting “A” players often is a challenge for multi-national companies as the brand may not be well-known in other parts of the world. One way to overcome this is to hire a leader with “star power” who has the ability to attract others to the company’s brand. However, the company first has to have the humility and appreciation to understand that its brand lacks the same pulling power internationally as domestically and then has to invest in a high-profile executive to run the show. Another option is to hire someone with his own strong international network from which to draw. For example, some multi-national companies have recruited CEOs from world-renowned companies to their boards to help attract senior talent to the team.

The global CEO must start with a clear vision of what he is aiming to achieve internationally and be able to articulate that vision in language that is understood globally.

In addition, the multi-national must have a clearly defined and articulated employee value proposition. This is critical for recruiting the highest caliber individuals at the next level down and for earning their long-term loyalty. The employee value proposition will have aspects covering pay, development opportunities, work content, leadership and a “compelling story”. This often can involve offering the opportunity to take on more responsibility earlier in one’s career and the chance to make more of an impact, given the smaller scale of the operations in that market.

Multi-national companies frequently are surprised to learn there is little negative impact of being seen as an Indian or Chinese company. In Europe and the U.S. in particular, the opportunity to spend time in Asia can be especially attractive.

There is no reason to feel defensive or insecure about being a foreign multi-national company when looking to hire top talent. On occasion, such defensiveness can be a bigger issue than compensation.

Leading the “A” Player Team

Once companies have identified the business-critical functions and assigned “A” players to those roles, they should give the teams room to maneuver and exert influence at the strategic level. Multi-national companies often will analyze market dynamics through a home country lens and disregard the counsel of their local colleagues. To ensure the local team can wield its influence, multi-national must carefully consider the strategic position of the global regional outposts and align reporting hierarchies in support of business objectives. In many corporations, Europe and the United States are organizationally positioned as sales operations two or more levels removed from the CEO. But if, for example, the United States is a key business driver, then the reporting structure should support that importance.

Having strong local players can make a firm more competitive globally; however, hiring the best without giving them the authority and resources to execute the business plan is a waste of effort and will result only in high rates of executive turnover.

Invest in People

Another major bucket for consideration concerns people processes. For multi-national companies to prosper throughout the globe, they must institute employee processes that emphasize the long-term professional development of employees and so earn their loyalty. By doing this, companies can build a pipeline of skilled, knowledgeable employees who will be able to step into "A" player roles when needed. These processes include everything from training, development and mentoring to rotational opportunities.

The other important element relating to processes is global human resources management—companies should use the same criteria (even forms), processes and schedules across the globe. For example, all the top 400 executives should know that in November and May, no matter where they are based, they will get a formal assessment and face-to-face accountability review. All executives should feel they are being fairly and appropriately managed.

Localizing the Operations

It should go without saying that localizing the operations is of significant importance, yet many companies continue to export their home cultures and organizational structures to their global operations, often with disastrous results. The need for local contracts and benefit schemes in every country adds cost and complexity from day one. Localizing also means accepting that parts of continental Europe take long summer vacations. It means recognizing the need for a U.S. operation to get involved in its local business network, as well as with local charities and other not-for-profit activities. It means organizing customer events and other activities in accordance with local norms rather than home country norms.

Compensation and Benefits

Cost is very important to virtually all multi-nationals, but there are some significant differences from region to region. For example Asian companies—the Japanese first succeeded abroad by selling cheaper products (and often lower quality goods) than local manufacturers. Remember what "Made in Japan" used to imply? The Koreans did the same, and now the Chinese are following in their wake. We have seen the pattern of success: Companies gain a market foothold by being cheaper than the local competition and then take the quality and service levels steadily upwards. However, this focus on cost can make it extremely difficult to attract the "A" player team from the very beginning. It is not just the compensation that matters but also the perks—the quality of hotels where executives can stay when on business travel, for example, bearing in mind that hotels and airlines in Europe and especially the United States offer far lower service levels than their equivalents in Asia.

The pay issue is a difficult one, but getting it right is essential for success in the market.

There is often a significant disparity in compensation from region to region. For example, Asian companies usually do not have the same pay, bonus and stock incentives to which Americans, in particular, are accustomed to, and these firms often characterize Americans as being too greedy. In Asia, it is not common for executives to participate in the success of the company by being offered stock options, whereas in the United States and increasingly in Europe, this is expected. The Asians struggle to justify the need to pay their overseas juniors more than themselves. The reality is that for “A” players, the financial opportunities are vastly superior in the United States, and this increasingly is the case in parts of Europe. For situations in which one needs to recruit a senior-level executive, the solution is simple: Pay up or the firm will not get the necessary talent, and the business will enter a vicious cycle. Occasionally, Asian companies find outstanding European or American executives with a strong cultural fit who are affordable; however, the chances of this are low, so counting on an affordable “A” player is a risky strategy. Often, successful Asian companies are paying their top European or American executives more than their CEO. “We had to wrap our heads around astronomical sums,” reported one Asian CEO. “Ring fencing” compensation in high-salary markets is a common solution.

Management Style and Cultural Fit

Management style the world over reflects cultural differences, and the multi-national corporations must be aware of its own style and hire executives who are a cultural fit.

For example, Chinese companies have a consensual and less pressured style of running a company, which usually sits better with European executives than with American ones. Indian companies tend to be more conflict-oriented. Taiwanese companies are pragmatic and are prepared to act fast but lack forward planning and a road map. Latin American companies tend to be situated between the Asian propensity and the American propensity, but the leadership personalities are more emotional and passionate. Japanese, Korean and Chinese companies all prefer to debate in private, find points of agreement and focus on saving face rather than having open debate. They place high value on relationships and may be less openly competitive. Most Asian companies are very hierarchical and centralized, with strong managerial and financial control from the center, which can rile senior executives in Europe and America who are used to significantly more empowerment. Asian companies typically have a longer-term view that executives can learn to appreciate but which initially may frustrate those coming from a more short-term, bottom line-oriented Western company.

In our view, and that of many executives in Latin America, one of the main factors restricting the overseas growth of many Latin American businesses is a shortage of managers who can work effectively abroad. An even bigger challenge of globalization is the increasing pressure on multinational companies to become “local."

In Latin America, there a strong history of developing world-class engineers and managers, and Latam does have an adequate pool of talented people for the international market. Once hired, young managers typically go through a long process of in-house development before occupying important positions. But as companies become more international and the need for experienced executives grows, this development routine breaks down, stymied by the indifference of many Latin American executives to overseas assignments. In countries such as Chile, and to a lesser extent Brazil, these executives tend to put family and friends ahead of successful global careers.

Many Latin American companies are—or started out as—family-owned businesses, which have trouble attracting mid- and high-level executives. These enterprises have a number of advantages, such as the ability to take a longer-term view of investments than their publicly held counterparts often will. But there are also limitations. Our experience working in the region shows that some family businesses have evolved corporate cultures where informal networks are more valued than formal processes, direct hires from other companies tend not to be successful, and top managers are often appointed based on a long history with the owning family. There's another issue that crops up even if a company can find people willing to work abroad: some potential managers are put off by the fact that many of the bigger Latin American companies with global aspirations are in basic materials—a sector that is considered, rightly or wrongly, not to be very glamorous and that has few well-known brands.

If the supply of executives is insufficient, what can be done to increase it? Companies with global ambitions have no choice but to take matters into their own hands. If, as many senior executives believe, a group of global managers is more important to a company than all its tangible assets, it will have to build what some call a "leadership factory" much like done in some of the more successful American companies like General Electric, Procter & Gamble, Johnson & Johnson and the likes of successful European multi-nationals like Unilever and Reckitt Benckiser to develop one. Every region can point to some companies that are best in class in developing leadership, in most cases the industries tend to incestuous vs. universal in transferring leadership from company to company. CEOs and executive committees will need to invest much time in this effort.

Often, multi-national companies have a decision-making structure that differs from the organization chart that is in place. A CEO may have a "cabinet" of trusted advisors, without whose say-so nothing gets done. Or there may be informal hierarchies related to national politics that are not obvious to outsiders, particularly those from another culture. It is important for multi-national companies to acknowledge these patterns and to open up the black box to enable non-national senior executives to navigate their way through the corridors of power, or failure is almost inevitable.

When hiring senior talent abroad, multi-national boards are advised to understand their own culture and hire executives whose company cultural preferences are closest and who respect and want to learn about other cultures even if they do not understand them. Some companies succeed by hiring home country nationals resident in the host country and who have extensive experience in that host country. These executives can help bridge the cultural divide and build trust between headquarters and local operations.

Building a Global Culture

In various parts of world, companies are successful as part of an ecosystem made up of the government and other companies (suppliers and distributors), as well as the local market situation. This allows them to be successful despite a relative lack of management sophistication and without best-in-class business processes. But once they leave the comfort of this ecosystem, life becomes much tougher. The most successful multi-nationals have actively sought to build a global culture, including at home at the global headquarters. In Asia, this starts with the obvious—using English as the working language so that executives from Europe and the United States can fully participate in management discussions. But beyond that, it includes building a non-hierarchical decision-making process, with flexibility in working hours, and, increasingly, locating members of the leadership team in multiple locations around the world rather than having all the executives co-located at the global headquarters. Hiring the best talent regardless of location is something with which Western and Latin American companies still struggle, but the Asian and European companies seem to be grasping this early and were are seeing the results speak for themselves.

In the words of one multinational CEO: "Global leaders must speak English, use best practice business processes, be culturally sensitive and curious about other cultures, and know how to use their influencing skills across cultures".

Even the best performer in the local market may fail when sent abroad. Many companies can cite examples of sending a home country superstar to Europe or America and European or American superstars to Asia or Latin America where he or she totally failed as a result of engaging with people in a way that made them feel uncomfortable. Investing in people early on in their career by sending them abroad for a few years and then bringing them back home is seen by many multi-national companies as a good way to build a global culture. To date, though, this has had limited success because once multi-national executives are sent abroad, they often want to stay. This is especially true in the cases of Asia and Latin America so their children can benefit from a European or U.S.-style education.

Board Support

To attract an "A" player team, the board must believe in the need for it. Often, multi-national boards are not willing to make changes that will affect individuals at home at the headquarters. The compensation schemes that will attract top players, freedom and empowerment of local management, and the globalization of business processes and culture frequently will negatively affect executives in the home country. The board must be committed to see these changes through despite those implications and to actively explain to local leadership why these changes are necessary.

If the board doesn't have a global mindset and an ability to work with a global platform, stay at home!

Conclusion

The challenge of establishing successful operations in foreign countries is hardly unique to and region of multi-nationals. Any expansion into a new market requires a bridging of cultural and operational gulfs, and many businesses have difficulty doing it well.

In summary, if a company is to truly build an "A" player team globally, a complete rollout program—that encompasses everything from basic due diligence and fundamental human resources processes to more subtle and sophisticated ways of localizing operations in the interest of preventing cultural missteps that can thwart successfully going global—is required. Those firms that have figured this out are not only doing well in the global marketplace but also are benefiting from having the "A" player team's leverage across the world.

Global companies should consider devoting more resources and senior-management time to liberating talent "trapped" in national silos and more wholeheartedly supporting global-mobility programs. Instilling a common set of talent evaluation processes throughout the world—especially standardized individual performance evaluations—will underpin this effort and build the confidence of line managers.

More and more companies are stepping up their international revenues, their overseas customer base, and their nondomestic workforce. What our research suggests is that many of them need to match these achievements with truly global talent-management attitudes and practices.

Until these global talent management attitudes and practices are installed and operating, successful companies will have to rely on recruiting top leadership from organizations that have further developed these market realities. We obviously recommend you engage expert executive recruiting and selection consultants to help with these challenges.

"Finding "A" player global leadership is good luck. It's bad luck not to have a good search consultant." J.B. Hunt

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