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SPOTLIGHT ON THE NEW GLOBAL LEADER

When Culture Doesn't Translate

How to expand abroad without losing your company's mojo
by Erin Meyer

SPOTLIGHT

ARTWORK Shannon Rankin, *Peak*
Uncharted series, 2009, map, adhesive, paper, 20" x 20"

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How to expand abroad without losing your company's mojo

by Erin Meyer

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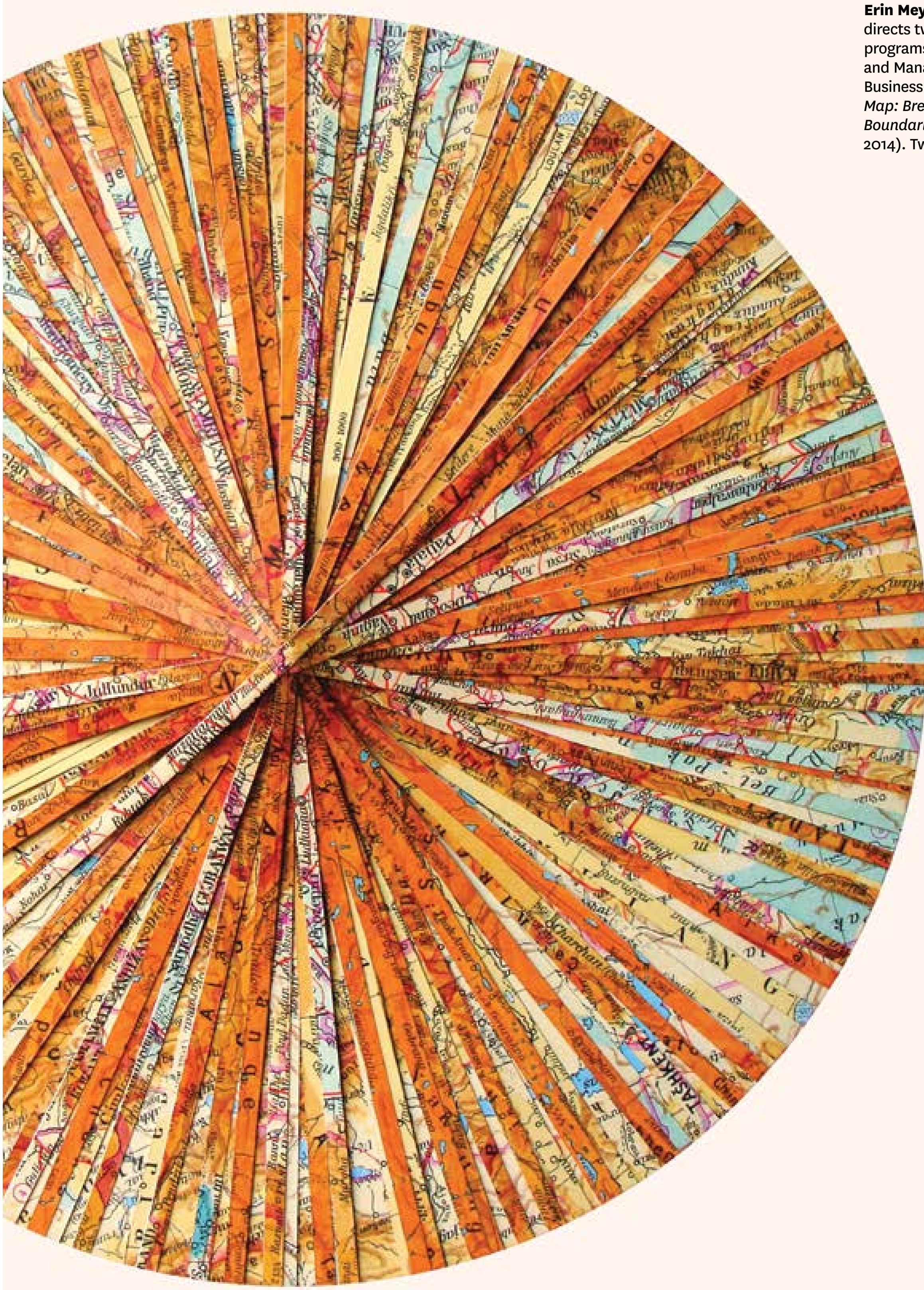

UNTIL RECENTLY MOST of us worked in organizations that were largely local. We interacted with colleagues and clients who were with us and culturally like us. Fellow staff members were often in the same building and at the very least were in the same country, which meant that they had similar ways of communicating and making decisions.

But as companies internationalize, their employees become geographically dispersed and lose their shared assumptions and norms. People in different countries react to inputs differently, communicate differently, and make decisions differently. Organically grown corporate cultures that were long taken for granted begin to break down. Miscommunication becomes more frequent, and trust erodes, especially between the head office and the regional units. In their efforts to fix these problems, companies risk compromising attributes that underlie their commercial success.

In the following pages I'll describe the process of cultural disintegration and illustrate how traditional solutions can backfire. I'll conclude with five principles that can help executives prevent disintegration from setting in. Consciously and wisely applying them will lead to a more nuanced understanding of the forces at play, which in itself will increase the chances of success.

Implicit Communication Breaks Down

In companies where everyone is located in the same country, passing messages implicitly is frequently the norm. The closer the space we share and the more similar our cultural backgrounds, the stronger our reliance on unspoken cues. In these settings we communicate in shorthand, often without realizing it—reading our counterparts' tone of voice, picking up on subtext. A manager at Louis Vuitton told me, "At our company, managers didn't finish their sentences. Instead, they would begin to make a point and then say something like 'OK, you get it?' And for us, that said it all."

A lot of work is done in this implicit way without anyone's taking note. If I walk by your office and see you studying October's budget with a worried look, I might send you a comprehensive breakdown of my costs for the month. If I see you shrink in your seat when the boss asks if you can meet a deadline, I know that your "yes" really means "I wish I could," and I might follow you to your office after the meeting to hear the real deal. In such ways we continually adjust to one another's unspoken cues.

But when companies begin to expand internationally, implicit communication stops working. If you don't tell me you need a budget breakdown, I won't send one. If you say yes even though you mean no, I'll think that you agreed. Because we aren't in the same place, we can't read one another's body language—and because we're from different cultures, we probably couldn't read it accurately even if we were within arm's length. The more we work with people from other cultures in far-flung locations, the less we pick up on subtle meaning and the more we fall victim to misunderstanding and inefficiency.

The obvious solution is to put in place multiple processes that encourage employees to recap key messages and map out in words and pictograms who works for whom, with what responsibilities, and who will take which steps and when. For many organizations, that kind of change is largely positive. One banking executive told me, "The more we internationalized, the more we were forced to recap both orally and in writing what was meant and what was understood. And that was good for everybody. We realized that even among those of us sitting at headquarters, the added repetition meant better understanding and fewer false starts."

Idea in Brief

THE PROBLEM
Many global corporations suffer from miscommunication and misunderstandings, especially between the head office and regional units. This leads to a breakdown in trust. In trying to prevent those problems, companies often lose a key component of what makes them successful.

THE CHALLENGE
How can managers adapt individual employees and the organization as a whole to the realities of working in a global marketplace?

THE APPROACH
Success involves the careful application of five principles:

- Identify the dimensions of difference
- Give everyone a voice
- Protect your most creative units
- Train everyone in key norms
- Be heterogeneous everywhere

One downside, of course, is that companies become more bureaucratic and communication slows down. But that isn't the only cost. At Louis Vuitton, for example, mystery is part of the value proposition and infuses the way people work. Employees are not just comfortable with ambiguity; they embrace it, because they believe it is central to the company's success. One manager told me, "The more we wipe out ambiguity between what was meant and what was heard, the further we wander from that essential mysterious ingredient in our corporate culture that has led to our success."

For companies in beauty, fashion, and other creative industries, the advantages of implicit communication may be particularly strong. But many other types of internationalizing companies have activities that may benefit from letting people leave messages open to interpretation, and they, too, need to think carefully about processes that might erode valuable ambiguity in an effort to improve communication.

Fault Lines Appear

Breakdowns in implicit communication exacerbate the second problem an internationalizing company faces: Employees frequently split into separate camps that have an "us versus them" dynamic.

It's natural to feel trust and empathy for those we see daily and those who think like us. We eat lunch together. We laugh together at the coffee machine. It's hard to feel the same bond with people we don't see regularly, especially when they speak an unfamiliar language and have experienced the world differently. When one New York–based financial institution opened offices in Asia, it struggled to export its highly collaborative culture, in which key decisions involve a great deal of consultation. Despite management's best efforts, the local offices created what one executive described as "overseas cocoons," in which employees shared work and consulted with one another but remained isolated from their colleagues in the United States.

Often headquarters wants to be inclusive but finds that employees' exchanges are hampered by differences in social customs. One Thai manager in the financial firm explained, "In Thai culture, there is a strong emphasis on avoiding mistakes, and we are very group oriented in our decision making. If the Americans want to hear from us on a conference call, they need to send the agenda at least 24 hours in advance so that we can prepare what we'd like to say and get feedback from our peers."

Unfortunately, the Thai manager told me, his U.S. colleagues usually didn't send the agenda until an hour before the call, so his team was unable to prepare. And it struggled to understand what was said during the call, because the U.S. participants spoke too quickly. He also said that the Americans rarely invited comments from the Thais, expecting them to jump into the conversation as they themselves

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would. But that kind of intervention is not the norm in Thailand, where it is much less common to speak if not invited or questioned. The Thai manager summed up his perspective this way: "They invite us to the meeting, but they don't suggest with their actions that they care what we have to say." The Thai team members ended up just sitting on the phone listening—giving the Americans the impression that they had nothing to contribute or weren't interested in participating.

Corporate Culture Clashes with Local Culture

As companies institute rules about communication and inclusiveness, they often run into a third problem. Consider the Dutch shipping company TNT, which has long put a premium on task-oriented efficiency and egalitarian management. When it moved into China, it found that neither of those values fit with local norms. Its corporate culture gradually became more relationship oriented and more hierarchical, as leaders in Asia adapted their styles to attract local clients and motivate the local workforce.

The problem with that kind of adaptation is that a company's culture is often a key driver of its success. Let's look at L'Oréal. Confrontation and open disagreement are a strong part of its corporate culture. As one manager put it, "At L'Oréal we believe the more we debate openly and the more strongly we disagree in meetings, the closer we get to excellence, the more we generate creativity, and the more we reduce risk."

Yet in many important growth areas for L'Oréal, including Southeast Asia and Latin America, that attitude is in direct opposition to a cultural preference for group harmony. A Mexican employee explained, "In Mexican culture, open disagreement is considered rude, disrespectful, and too aggressive." An Indonesian employee said, "To an Indonesian person, confrontation in a group setting is extremely negative, because it makes the other person lose face. So it's something that we try strongly to avoid in any open manner."

If you believe that your corporate culture is what makes your company great, you might focus on maintaining it in all your offices, even when it conflicts with local practice. This can work for companies with a highly innovative product offering and few or no local competitors. In other words, if your corporate culture has led to extreme innovation

FURTHER READING
For more insights on cross-cultural management, see:

The Culture Map: Breaking Through the Invisible Boundaries of Global Business
Erin Meyer
PublicAffairs, 2014

"Contextual Intelligence"
Tarun Khanna
HBR, September 2014

"Voices from the Front Lines"
Luc Minguet, Eduardo Caride, Takeo Yamaguchi, and Shane Tedjarati
HBR, September 2014

"Navigating the Cultural Minefield"
Erin Meyer
HBR, May 2014

"L'Oréal Masters Multiculturalism"
Hae-Jung Hong and Yves Doz
HBR, June 2013

Riding the Waves of Culture: Understanding Diversity in Global Business
Fons Trompenaars and Charles Hampden-Turner
McGraw-Hill, 2012 (3rd edition)

Cultures and Organizations: Software of the Mind
Geert Hofstede, Gert Jan Hofstede, and Michael Minkov
McGraw-Hill, 2010 (3rd edition)

and you don't need to understand local consumers, it may be best to ignore local culture in order to preserve the organizational core.

For example, Google believes that its success is largely the result of a strong organizational culture. Part of that culture involves giving employees lots of positive feedback. The company's performance review form begins by instructing managers, "List the things this employee did really well." Only then does it say, "List one thing this person could do to have a bigger impact." When Google moved into France, it learned that in that country, positive words are used sparingly and criticism is provided more strongly. One French manager told me, "The first time I used the Google form to give a performance review, I was confused. Where was the section to talk about problem areas? 'What did this employee do *really* well?' The positive wording sounded over the top." But Google's corporate culture is so strong that it often supersedes local preferences; the French manager added, "After five years at Google France, I can tell you we are now a group of French people who give negative feedback in a very un-French way."

Creating a strong corporate culture that is pretty much the same from Beijing to Brasília makes things easier and more efficient internally. But it carries risks. A company with a strong culture typically hires employees who can fit into that culture and trains them to work and behave in a globally accepted fashion. But if you hire the rare Saudi who will challenge authority figures and encourage him to do so, you may find that his egalitarian directness keeps him from closing deals with local clients and suppliers.

Planning for Your International Culture

As companies internationalize to exploit new opportunities, how can they prevent communication breakdowns, fault lines, and other risks? As with most cultural and organizational dysfunctions, the cures are often less obvious than the symptoms, and the specifics will vary from case to case. Nonetheless, my experience suggests that if companies apply some ground rules carefully, they are more likely to adapt their culture to new countries without losing key strengths.

Identify the dimensions of difference. The first imperative when managing a clash between a corporate culture and a national one is understanding the relevant dimensions along which those cultures vary. Are decisions made by consensus, or does the boss decide? Are timeliness and structure foremost in everyone's mind, or is flexibility at the heart of the company's success? Only after you've figured out where the pressure points are can you make plans for dealing with them.

It's important to perform this analysis along multiple dimensions, because managers tend to boil cultural differences down to one or two features, often causing unexpected problems. (See my May 2014 HBR article, "Navigating the Cultural Minefield.") For instance, French executives expecting straight talk from U.S. colleagues are routinely tripped up by Americans' reluctance to give harsh feedback, while expatriate Americans are often blindsided by their outwardly polite and socially aware French bosses' savage critiques. That said, you can typically reduce the differences you actually have to manage to just three or four dimensions. (For more on how to conduct your analysis, see the "Further Reading" list.)

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> —A MANAGER AT GOOGLE FRANCE

Give everyone a voice. Although you can vary many rules according to culture and corporate function, the one you absolutely must adopt is ensuring that every cultural group is heard. In practical terms, this involves applying three tenets during meetings and other interactions, especially when people are participating remotely:

- When you invite local offices to phone or video conferences, send the agenda well in advance (not the same day!) and designate a time for those in each location to speak. This allows participants to adequately prepare their comments and double-check them with colleagues.
- Insist that everyone use global English, speaking slowly and clearly, and assign someone to recap the discussion, especially when conversations speed up.
- Check in with international participants every five or 10 minutes and invite them to speak: "Any input from Thailand?" or "Budsaree, did you have any feedback?"

If you follow these basics, you'll go a long way toward preventing people from thinking that their colleagues in other cultures "never speak up because they are hiding information," "have nothing to contribute," or "say they want our input, but act like they don't care what we think."

Protect your most creative units. As your company expands geographically, map out the areas of the organization (usually functional units) that rely heavily on creativity and mutual adjustment to achieve their business objectives. Draw a ring around those areas and let communication within them remain more ambiguous, with flexible job descriptions and meetings that are less predefined.

Elsewhere in the company, where there is no clear benefit to leaving things open to interpretation, go ahead and formalize all systems, processes, and communications. The areas that lend themselves to more-explicit procedures include finance, IT, and production.

You might want to put everything in writing to avoid misperceptions later on. If you don't have an employee handbook, or if your handbook is sometimes vague, you'll need to create a detailed one. But before you start crafting precise job descriptions, make sure you have protected the parts of your company that rely on implicit communication and fluid processes for business success.

Train everyone in key norms. When entering a new market, you'll inevitably have to adapt to some of the local norms. But you should also train local employees to adapt to some of your corporate norms. For example, L'Oréal offers a program called Managing Confrontation, which teaches a methodical approach to expressing disagreement in meetings. Employees around the world hear about the importance of debate for success in the company. A Chinese employee told me, "We don't do this type of debate traditionally in China, but these trainings have taught us a method of expressing diverging opinions which we have all come to practice and appreciate, even in meetings made up of only Chinese."

Exxon Mobil, which prides itself on task-oriented efficiency but has large operations in strongly relationship-oriented societies such as Qatar and Nigeria, reaps tangible benefits from getting employees to adapt to its culture, rather than the other way around. One Qatari employee told me, "The task-oriented

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>
> **—AN EMPLOYEE OF EXXON MOBIL**

mentality gives us a common work platform within the company, so when Texas-based employees are collaborating with Arabs or Brazilians or Nigerians, we all have a similar approach. Cultural differences don't hit us as hard as some companies."

Be heterogeneous everywhere. If 99% of your engineers in Shanghai are Chinese and 99% of your HR experts in London are British, you run a high risk of having fault lines appear. If all the Shanghai employees are in their thirties and all those in London are in their fifties, the rifts may widen. And if almost all the Shanghai employees are men while most of the London employees are women, things may get even worse. Take steps at the start to ensure diversity in each location. Mix the tasks and functions among locations. Instruct staff members to build bridges of cultural understanding.

When BusinessObjects, a company based in France and the United States, expanded into India, cultural differences quickly arose regarding communication up and down the hierarchy. One U.S. manager, Sarah, told me, "I often need information from individuals on Sanjay's staff. I e-mail them asking for input but get no response. The lack of communication is astounding." When I spoke with Sanjay, he said, "Sarah sends e-mails directly to my staff without getting my OK or even copying me. Those e-mails should go to me directly, but she seems to purposefully leave me out of the process. Of course, when my staff receives those e-mails, they are paralyzed."

This relatively minor cultural misunderstanding created tensions aggravated by the fact that all the local employees in Bangalore had spent their entire lives in India; none were in a position to see things from the other perspective. The majority were software engineers in their twenties. And the California office was made up entirely of American mid-career marketing experts, none of whom had ever been to India. A small issue threatened to sink the enterprise.

After holding face-to-face meetings with Sarah's team and Sanjay's, during which the misunderstanding was explained and worked through, BusinessObjects took further steps to get the collaboration back on track. Five engineers from the Indian office were sent to California for six months, and three Americans moved to Bangalore. Some Americans already based in Bangalore were hired for Sanjay's team, and Sarah hired several Indians living in California. Bit by bit the divisiveness decreased and a sense of unity emerged.

GETTING CULTURE right should never be an afterthought. Companies that don't plan for how individual employees and the organization as a whole will adapt to the realities of a global marketplace will sooner or later find themselves stumbling because of unnoticed cultural potholes. And by the time they regain their balance, their economic opportunity may have passed.

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"I know what you're thinking. Bonus points for spelling 'incarcerated' correctly nine times on a résumé."

JOHN CALDWELL