



Transcultural Competence, the Key to Leadership in a Globalising World - Financial Times, January 15 2001

written by

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Recent research undertaken at the Judge Institute, Cambridge University, Anglia Business School and the Trompenaars-Hampden-Turner Group in Amsterdam reveals that those leading global corporations are beset by a series of dilemmas (or paradoxes). These are pairs of conflicting propositions, each of which clamours for the allegiance of the decision-maker. Successful leadership depends on the capacity to integrate such propositions and create strategies which unite both aims.

For example, the leader is expected to set rules of universal applicability, yet treat each culture as a special case of diversity. The leader is expected to originate strategy worthy of Alexander the Great, yet listen attentively to an astonishing variety of inputs. He or she is expected to analyse, yet to create from the resulting mass of statistics a coherent, purposive plan.

Those lower down the organisation typically discharge circumscribed tasks and then say "next problem please!" Their aim is to "make it", however "it" has been defined. Their superiors face the far trickier question of whether "it" should be made at all. Are the goals themselves appropriate? What do you do when these conflict?

At what point does serving the interests of shareholders begin to diminish the benefits received by stakeholders, customers, employees, suppliers, the community?

Cultures as the guardians of opposed ideas

It could be fairly objected that all leaders of companies face such dilemmas. What has globalism to do with it? Indeed this is true, but world-wide operations render these dilemmas more acute, since the values of whole cultures may put varying priorities on one or the other side of a dilemma. In some cultures, for example, stock markets dominate the supply side, in others banks. In some, shareholders own and can dispose of under-performing assets, in others cross-shareholding makes this very difficult, so that "dead" companies still walk!

The Anglo-Americans believe that business is a profession like law or medicine and can be "mastered". Rail track is a commercial not an engineering concern. The Dutch, Germans, French and Scandinavians put engineering first and expect over time that specialists will learn to manage the expertise to which their lives are dedicated.

Global Leader as a Cultural Integrator

We interviewed twenty-one leaders for our forthcoming book* and through extensive interviews backed up by a questionnaire discovered that "transcultural competence", the capacity to integrate seemingly opposed values, was among their foremost skills. They scored significantly higher than our general sample.

Take, for example, the dilemma of globalism vs. localism. How did our leaders reconcile these conflicting imperatives? In several ways. One way, sometimes celebrated as "Think Global, Act Local," is to encourage local initiatives, but then globalise information about these activities. At the corporation's "Central Nervous System" are "scoreboards" covering operations across the world. Any local success could have global implications and might be applicable world-wide. More usually local adaptations stay local, e.g. Shell's help to pig farmers in the Philippines which



protected its pipe-lines from sabotage by insurgents.

Another way of integrating universality with cultural diversity, is to decentralise "centres of excellence" to those cultures who do the job best and most cheaply. Hence Motorola has made Bangalore in India its "HQ for software", drawing on some of the world's best mathematicians. Sony sources its software in the USA. Apple found Singaporeans so good at high quality assembly, that they now instruct factories world wide. The automobile of the future may be designed in Italy, with high performance engines sourced from Germany, safety systems from Japan, etc. Global excellence is a synthesis.

Mass Customisation at Dell Computers

Michael Dell of Dell Computers was one of our interviewees. A relative late-comer to a maturing industry, he succeeded by solving one of that industry's major dilemmas. Is it possible to serve both a mass market, with all its economies of scale, and focus narrowly yet deeply to serve a niche market of customers with very special needs?

With the help of direct selling over the Internet, Dell was the first to do both at the same time. He sells computers very widely to customers, largely corporations, but gives each client his own Premier Pages on the Internet, consisting of deep, complex, private information about the purposes for which computing power is mobilised and how the customer might best use his installed system. Such systems combine confidentiality with transparency. The customer's utilization strategy is confidential, but suppliers have access to inventory levels for just-in-time delivery, without ordering. Never have so many customers received standardised components in so many unique combinations.

Dell is a good example of the "Clicks and Mortar" businesses even now surviving the decline of dot.com stocks. What appears to pay is neither the old economy alone, nor the new, but clever combinations of both, high quality computers awash with information supplied by the Net.

The case of the diversifying hamburger

An example of how even the most mass market suppliers are having to heed cultural diversity, is illustrated by Jack M. Greenberg's experience at the helm of McDonalds. The Big Mac is so quintessentially American that "McWorld" has become an epithet for the homogenisation of world tastes by the USA. But Greenberg was to discover that the global popularity of his product was increasingly qualified by exceptions.

It was the international division that sustained McDonalds through much of the 90s. Domestic sales were in trouble and it was the far-from-HQ local adaptations introduced by franchisees and national coordinators which showed most success, registering fifteen years of sustained revenue growth. More important the autonomy first ceded to foreign operators, now became the policy of the whole corporation.

When the Indonesian currency collapsed potato imports became too expensive and rice was substituted and later maintained. In Korea roast pork was substituted for beef, while soy sauce and garlic were added to the bun in much of SE Asia. Austria introduced "McCafes", a variety of local coffee blends. The Dutch invented "McKrocket".



When Greenberg examined the sources of recent innovations he found these had come from regions in the USA. The Egg McMuffin had started from local initiatives in San Diego. Big Mac originated in Pittsburgh. The McFlurry, a soft ice-cream with candy, spread from Florida.

Yet in key respects of quality, cleanliness, speed, branding McDonald's will remain uniform. "Decentralisation does not mean anarchy", says Jack.. "Those things aren't negotiable."

The lessons learned in a crisis

Another difficult dilemma has to do with reconciling the self-interest of the corporation with its obligations to customers and community, a variation on individualism vs communitarianism. While free enterprise is "officially" self-interested, a crisis teaches you about social reality. We interviewed Karel Vursteen of Heineken. When his bottler mistakenly left ground glass fragments in the bottom of bottles supplied to the plant, Karel withdrew every bottle in that entire sales area at serious loss to Heineken.

It was a difficult decision but the right one. Customers come first. Perhaps not first in economic philosophy, but first in the sequence of those who must be satisfied before profits can flow again. Heineken found, as Johnson and Johnson had before it, that customers accept that accidents and sabotage happen. What really concerns then is how a company behaves in such crises by immediately protecting its customers despite catastrophic loss to itself. The sales of both Heineken and Tylenol rose after these incidents, in recognition of the integrity between serving and profiting.

Creative ideas not developed into innovations

Another way in which the individual and the group must be reconciled to each other is in the process of innovation. Christian Majgard is head of Marketing for LEGO, the 20th Century's most admired children's toy. He was concerned that despite the large number of creative ideas arising from individuals these were not being accepted, shaped, improved, tested and successfully launched as finished products. In short, creativity was not being manifested as innovation groups and the corporate community acted as a bottle neck.

Christian discovered that whether your innovative idea was accepted depended on your status. Typically board members supplied ideas and junior staff worked on these implementations. This was doubly disadvantageous because the implementers had no personal stake in the ideas while the "idea men" failed to persevere and neglected the details of making the innovation viable. There was a fatal schism between the ideal and the real, with the "realists" killing off the ideas.

Christian made it a rule that anyone championing an idea must fight for it in the team, that the team's criticism be constructive and helpful and that the whole team not just the "idea person" be credited with successful innovations. He also found that teams with greater diversity of talents and roles were more successful at delivering innovations.

Christian found that resistance to novelty did not cease, even after the successful launch of a new product. LEGO had a "plastic brick culture" because of the celebrated success of its staple product. Even the most successful electronic toy or software game paled in comparison to plastic bricks at LEGO's HQ. So Christian decided to give new businesses autonomy and put distance between them and corporate HQ, until they were strong enough and successful enough to stand up to the traditional culture and modify its values.



All too often a company's problem is precisely what made it successful in the past. It overlays its winning combination and needs an outsider's critical intellect to diagnose that "horn" of the dilemma which is being extolled at the expense of its opposite. All our twenty-one leaders were adept at such diagnoses. Few were as courageous as Philippe Bourguignon who had earlier rescued Disneyland, Paris and was then confronted with the fast deteriorating fortunes of the famous French vacation company, Club Med.

"A surfeit of the strengths which made it famous"

The company was suffering from a surfeit of the very strengths which made it famous, lavish hospitality and costly conviviality. Those attending Club Med are encouraged to experiment with new identities, reminiscent of shipboard romances of yesteryear, and intense if brief encounters in beautiful settings which transport you to new levels of experience. Les gentils organisateurs (the gracious organisers) facilitated the costumed role-playing, the ecstatic encounters and the ambience of rare experiences.

Villages would compete with each other in haute cuisine, savoir vivre, even firework displays. The victim of this rivalrous grandeur were costs, budgets, efficiencies and other bourgeois concerns. Club Med progressed royally into the red.

In dilemma terms, diffuse and emotive experiences of dream vacations has got the best of the specific and neutral requirements of counting costs. Philippe acted swiftly. Each resort was given P&L responsibility. Every village must stay within its budget. Prices were matched to seasonal demand, with the aim of fuller occupancy and seasons lengthened for better asset utilisation. Bookings were streamlined and computerised. Under-chosen options were trimmed from the menu of both food and activities.

But Philippe was far too smart to come across as a cost-control freak. He had to demonstrate an understanding of Club Med's mission to profound experiences. He accordingly added intellectual experiences and artistic appreciation to Club Med's list of offerings. Woodland seminars in the USA and an urban resort in Paris for would-be sophisticates broadened the company's range of delights of the mind.

Club Med is back in profit and although some bon viveurs (including a founder) complain that its former élan is lost. Most credit Philippe Bourguignon with another historic turn-around. The ambience is still there, but someone is counting the costs.

"Helicopter capacity" of future leaders

For many years Shell has chosen its future leaders for their "helicopter capacity", a skill which combines diffuse with specific perspectives. Such persons can ascend vertically to see the Big Picture and descend to see the terrain in detail. Among our interviewees was Mark Moody-Stuart, Chairman of Shell's Committee of Managing Directors. He pointed out to us that the crisis over the Brent Spar showed that Shell as an organisation was still more specific than diffuse. Shell had done its sums on the relative costs of disposing the obsolete storage tank and he still believes that on the facts Shell was right.

But the socio-political realm is a question of public perceptions and climates of opinion, diffuse systems of organised ideas. Shell's appreciation of these patterns was much weaker than its mastery of facts. Sinking the spa would have drowned the evidence, so Shell gave way. Leadership says Moody Stuart must address itself to facts and patterns of public perceptions.



Caring and Calculation

Val Gooding leads BUPA, Britain's largest private health insurer and provider. Her dilemmas lie between these last two words "insurer" and "provider". Insurers are neutral, calculating, abstract, legal and retentive. Providers are comforting, supportive, personal, relational and compassionate. All these values collide at BUPA's call centres, where people who have paid premiums all their lives eventually seek the BUPA's succour. A close relative may sink fast. It is crunch time. BUPA is either there for its customers or not. It takes an integrity care and calculation.

Those manning the phones must discover within seconds the would-be patient's extent of coverage and then arrange for the necessary care. Callers are often desperate, sometimes angry. Staff work in groups to give each other support, with "calming rooms" and counsellors for those suffering stress. But it is the training programmes that provide the "emotional muscle" which staff need. The approach is quite unusual.

Expression by staff of their own family experience

Instead of drilling staff in a form of words, decreeing what they should and should not say, training consists in expressions by staff of their own family experiences of illness, surgery, bereavement and bedside vigils. Rather than leaving the "private self" at home and engaging the "work self", everything in the lives of staff which bears on surviving illness is deemed relevant. Those whom trauma and crisis has made emotionally strong tell their stories. When a caller whose present faces by-pass surgery needs help a veteran and such experiences is available to counsel.

Gooding seeks an integrity of carer and insurer. It is not easy but it is possible. It is not enough to identify deeply with the frightened customer, you need up-to-date computers and skilled operators to know within seconds who the caller is and what his insurance covers.

The Acquiring Scholar

Cultures vary considerably as to whether they are inner-directed (driven from within by conscience or will-power) or outer-directed (shaped by external forces). The USA and most of Northwest Europe is inner-directed, while much of East Asian (although not all) is more outer-directed. But outstanding leaders are both. Laurent Beaudoin of Bombardier began with a ski-mobility company in Quebec, but after reeling from the quadrupling of oil prices in the 70s, which crippled his business, he moved into trams and subway cars on the calculation that these were counter-cyclical to oil prices, thereby demonstrating his capacity to be directed from the outside as well.

He moved from subway trains and trams to aircraft buying up Canadair, Short Bros, Learjet and Deltavilland among others. The extraordinary thing about this strategy is that his acquisitions were considerably more complex and high tech than his existing businesses, so at every step he had to learn and become a student of the industry into which he had bought. He had also to give the companies he had acquired considerable degrees of latitude, respect and autonomy, letting these teach him as he studied their operations. We christened him The Acquiring Scholar because of his inner-directed march up the acquisition trail, combined with his extraordinary capacity to learn from technologies far more complex than his own.



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Summary and Conclusion

In our vision value is not added, because values do not easily accumulate. Values are differences. They need not be summed but to be reconciled. Outstanding leaders take apparent opposites. Rules and Exceptions, Globalism and Localism, Mass markets and Customised markets, Universal "Macs" and Regional Novelties, Self-interest and service to customers, Individual creativity and Group dynamics and integrate these, so each value learns from the other, rules grow better through exceptions, new global products spread from a particular locality, etc.

Too often a company overplays its strong suit and is undermined by its weak suit. Hence the leader is a critic and diagnostician of the status quo, who restores balance between say dream vacations and paying propositions, between the neutral task of insurance and the caring task of health provision. The best leaders are fiercely inner-directed yet lightning fast at re-organising and reacting before outer events in the environment. We call this capacity to integrate opposite endowments trans(or crss) cultural competence,* because most of the values involved are weighted higher or lower by different national cultures. Hence leaders must show respect for all cultures and all values if integration is to be achieved. We have developed an instrument to measure this capacity and shown that leaders can be trained in the process of reconciliation.

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