Global expansion dilutes winning corporate cultures

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For more than a decade, multinational companies (MNCs) have been encouraged to create a strong global corporate culture. Indeed, several recent surveys of global executives have identified the ability to maintain a common corporate culture as one of their greatest challenges. However, our research suggests that a strong global culture is the exception rather than the rule. As companies expand globally, corporate culture often lags behind; it frequently remains too headquarters-centric to pull together far-flung operations, or it disintegrates under the turmoil of globalization.

We have studied organizational culture in global companies for 12 years, interviewing 250 executives at 10 MNCs, and we have found that few companies succeed at building an organizational culture that is globally integrated, yet flexible enough to accommodate local variations. Based on our research and that of others, we have identified at least two key barriers. One barrier is a headquarters-centric mind-set: Companies often approach the process of developing a global culture as a one-way process dominated by corporate headquarters, exemplified by common terms such as "cultural transfer" "and "culture dissemination." Also, core values often originate at corporate headquarters and fail to reflect and incorporate diverse cultural influences.

continuum ranging from "weak" to "strong." Such an approach is too simplistic to capture complex cultural patterns in MNCs, which may have "islands" of strong culture distributed across their far-flung operations. Based on these patterns, our framework suggests that global organizational cultures can be categorized along three primary dimensions: the degree to which core values and practices are shared throughout the corporation, the degree to which core values are localized, and the existence of an ongoing multidirectional process that reconciles core values with local realities. Our

framework identifies four principal patterns of global culture: Spearhead, Outpost, Disoriented and Global.

Spearhead Culture

Some companies have a set of core values that are articulated and shared within the corporate headquarters, whereas employees of overseas subsidiaries share these values weakly and are occasionally unaware of them. If any adaptations are made, they are usually initiated by headquarters and driven by frustration rather than respect for local ways. The Spearhead culture allows companies to run a controlled operation and quickly integrate acquired businesses. However, mediation between the global and local values is virtually nonexistent.

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Outpost Culture

In some global companies there are islands of strong culture in a sea of cultural fragmentation. These "outposts" are successful subsidiaries led by effective local executives who create a strong culture at the subsidiary level. But due to company-wide fragmentation and lack of corporate leadership,

there are no processes set up to share these subsidiaries' strong culture with other units.

Disoriented Culture

A disoriented culture can be characteristic of MNCs experiencing turmoil, perhaps due to changes in the business environment, global competition, organizational restructuring or mergers or acquisitions. Here neither corporate headquarters nor subsidiaries have a sense of strategic direction. Employees often lose faith in management and are baffled about where the company may be headed.

Global Culture

A company with a strong global culture has a set of core values that are shared worldwide. These values often reflect an evolving amalgamation of values drawn from the company's global operations. They constitute the cornerstone of strong global culture and serve as a yardstick that guides operations worldwide. Having common values, however, does not mean that local differences are ignored. In fact, respect for local knowledge is key. Core values can be seen as parameters within which local interpretations take place.

Our research suggests that the global pattern of culture is the exception. Creating a global corporate culture requires breaking away from a headquarters-centric mind-set, drawing upon cultural capabilities that exist across the global operations and incorporating diverse cultural values. Global culture cannot emanate from a single corporate centre nor can it be disseminated by a single group such as the human resource function. Therefore, companies should identify and establish multiple cultural hubs around the globe, thereby incorporating a diverse set of organizational entities and employees into the process of maintaining a strong global organizational culture.

By establishing cultural hubs, companies can harness cultural capabilities that reside in different geographic locations and across functions and groups. Most companies already have cultural hubs in place, but they go unrecognized and under-utilized. To identify a company's cultural hubs, executives should look for locales where at least one of the core cultural values is shared, practiced and appropriately localized and where there is potential for the values to be shared across organizational boundaries.

We should note that cultural hubs are dynamic; in other words, due to personnel changes or strategic changes, a particular locale may cease to be a hub. Cultural hubs have in common two main things: They embody the values of a global organizational culture that the company aspires to, and they have the passion to engage in "culture work" that helps to localize and share those values with other parts of the company.

Through such "culture work," an MNC can identify the core values that must be shared across global operations and learn to elaborate their meanings in different cultural contexts. Companies that develop a strong global culture do not shy away from reviewing and re-articulating their core values and do not view such a process as a sign of weakness. The seeming paradox is that a strong global culture is not unlike those architectural structures whose very stability stems from a system of flexible foundations.

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