Companies Going Global. Driven by costs and enabled by technology, companies are aggressively pursuing global markets. Their success depends less on which business model they use than on their ability to embrace cultural differences. Improved understanding of the cultures involved is crucial for corporate facilities groups as they provide office space in many countries, all at the same time, while balancing local and corporate needs.
Ninety-six percent of the world's consumers live outside the U.S.¹ and many companies worldwide are eager to tap into that global market. As soon as a company expands outside the borders of its country of origin, however, it faces new management challenges, many of which are complex and intertwined.

**The Drivers: 1) Technology, 2) Labor Costs and the Global Talent Pool, and 3) Trade Agreements**

The drivers behind globalization are well documented and familiar. Technology has collapsed the time it takes to send and receive information. Two hundred years ago, information could travel only as fast as the person delivering it. Then came the telegraph, and the telephone, and the Internet, which brought electronic commerce and, for better or for worse, the integrated money market. Transactions around the world are conducted instantly and seamlessly.

**Labor Costs and the Global Talent Pool**

The escalating cost of doing business and the growth of the global talent pool are also important drivers. Apple does its design work in California but sends its assembly work to China. So do a lot of other companies, in an effort to reduce costs. Labor in affluent, developed countries is more expensive, so companies turn to labor in developing countries. The global talent pool is another reason to outsource parts of a business to other countries.

Sometimes, as parts of developing countries become more evolved, the companies will shift to a less developed part of the same country. Foxconn, the company that manufactures iPhones, iPods, and iPads for Apple, is planning to shift some production from Shenzhen to north and central China, where labor is cheaper. Furthermore, a company can realize a distinct cost advantage through global economies of scale by concentrating production at one or two sites and eliminating redundancies of effort and expenditure.

Another part of the labor equation involves skill. As countries develop, so does the skill level of their workers. Foreign students, who have traditionally stayed in their adopted countries after graduation, may now decide to take their skills back to their home country, especially in China and India, “where overseas experience will continue to grant them a competitive edge.”² For these reasons, developed countries have turned to developing countries for knowledge work as well as assembly work. IBM does much of its software development in India, where it can find lots of engineers to work on projects around the world.³

Being global also gives a company easier access to a global talent pool. It’s a pool that’s shifting demographically. World population is approximately seven billion people; 1.7 billion of them are between the ages of 15 and 30.⁴ Developing countries are projected to grow twice as fast as the U.S. and the European Union.⁵ A company with a local presence in a country can quickly find and hire local workers who know the ins
and outs of doing business there. Some companies go a step further by investing in the local economies in a way that will ensure a strong talent pool, subsidizing schools and infrastructure. Apache Footwear, for example, sends its workers’ children to kindergarten and built housing that it sold to its employees below market cost.\(^7\)

**Trade Agreements**

A related driver in the explosion of global business is the easing of governmental restrictions on trade, like the North American Free Trade Agreement (NAFTA), which has eliminated most tariff and non-tariff barriers to free trade and investment between the three NAFTA countries since it went into effect in 1994. The U.S., Canada, and Mexico represent a market of 441 million people who produce $117 trillion in goods and services each year.\(^8\) Trade among the NAFTA countries has more than tripled to $949 billion.

Lowering trade barriers was also the intent of the European Union (E.U.). In 1993, the E.U. eliminated trade barriers between its then 12 member countries, creating the world’s largest unified market. There are now 27 member countries and the effort is considered a success. In 2010, the E.U. signed a bilateral trade agreement with South Korea that eliminates most tariffs between South Korea and the countries that make up the E.U.\(^9\)

On the other side of the globe, the Asia-Pacific Economic Cooperation (APEC) is an organization that operates with non-binding commitments and reaches decisions by consensus. It’s composed of 21 countries that ring the Pacific Ocean, including the U.S., Japan, and China. Combined, the APEC participants represent 54 percent of the world GDP.\(^10\)

The Middle East has re-opened trade routes to the east, and the “Silk Road” (centuries-old trade routes that connect Asia with Mediterranean countries) may have a huge impact on the global economy. In one year alone, trading between Saudi Arabia and China increased 30 percent.\(^11\)

A final driver is simply that companies are looking for new markets, which often means following a competitor into a new market. Today, almost all major consumer goods—Coca-Cola soft drinks, McDonald’s hamburgers, Nike apparel, Apple products—are marketed worldwide. No one wants to get left behind by the competition, and because of e-commerce, today the competition includes companies halfway around the world.

All types of businesses are experiencing the trend toward global, including insurance carriers, banks, and architects. Even healthcare is going global: Patients shopping around for the best price on a surgery often find it in countries like India and Singapore, which, by promising quality care at lower prices, have developed an export-focused hospital industry. It has been and will continue to be an effective strategy for these countries: The number of Americans who go abroad for health care is expected to increase ten-fold in the next few years.\(^12\)
Survival of the Most Adaptable

As consequential as technology, cost, competition, and government deregulation have been on worldwide business expansion, equally important is the convergence of tastes and preferences around the world, which is at least in part the result of access to websites, blogs, and social media like Facebook and Twitter. (Although these preferences don’t mean the same thing in all countries; in Russia, a meal at McDonald’s is a status symbol, rather than a quick, inexpensive meal.)

Author Kenichi Ohmae calls it “the Californization of need.” In essence, it’s this: Whatever their nationality, global citizens get the same information and want the lifestyle that comes with certain kinds of consumer products—fashion, international cuisine, electronics, entertainment, and news. Furthermore, they want the products for the lowest prices.

In spite of this convergence of tastes, the global market (almost seven billion people) can’t be treated as homogenous, and it’s important to strike the right balance between taste convergence and cultural autonomy. Each country—and in many cases, each region within a country—has its own unique culture, customs, preferences, and buying patterns. There is no “China market.” China is huge and diverse, and economic and social development vary from region to region. And while there is a European Union, there is no European market, either. Instead, there is the UK, Germany, Belgium, Spain, Italy and many other countries, each vastly different from the other. To have global success, companies must find ways to adapt their products or reposition them for these markets.

Classic examples of adapting worldwide brands to local markets in Europe and Asia occurred with the Pillsbury Company. Several decades ago, Europeans saw corn as animal feed and didn’t know that sweet corn was any different. Pillsbury subsidiary Green Giant positioned its corn as a salad ingredient, since Europeans tend to eat vegetables in salads. In China and Taiwan, however, the product was positioned as an ingredient in corn soup, a dietary staple in those countries.

Starbucks has made some missteps along the way to globalization, including assuming the French would embrace flavored coffee drinks in to-go cups and bright, smoke-free environments with the same enthusiasm that Americans did. They didn’t, preferring lingering over espresso instead. Starbucks adjusted by adding pavement seating for smokers and French-approved caramel-flavored muffins.

An office furniture installation by Herman Miller for Monsanto in India illustrates the value of product adaptability across cultures. Workers wanted to work more collaboratively, but their arrangement of cubicles was an obstacle. An application that used 120-degree angle workstations opened up the space and supported collaboration. But Monsanto also wanted the product to reflect the culture of India, since the office was staffed by nationals.

The solution took the form of customized, fabric panels that hang between workstations. Each panel was hand-painted in brilliant colors onto silk fabric and no two are alike. The various designs and colors were drawn from the many regions of India—mostly
For many businesses, going global represents an evolution from domestic corporation to exporter to multinational entity to global enterprise.

Business Models of Engagement

Companies like Monsanto understand that going global means much more than simply exporting to distant shores. For many businesses, going global represents an evolution from domestic corporation to exporter to multinational entity to global enterprise. It's an orientation that incorporates strategy, corporate culture, and people into a company's worldwide decision-making process.

There are three main models for engaging with global markets, although often companies customize one of the models to suit it to their needs.

Hub and Spoke

The hub and spoke model is the most common model and the way many companies begin their exploration of global business. The company creates smaller versions of itself in other countries, but these outposts are managed by corporate headquarters and "hub culture" takes precedence over "spoke culture." These miniaturizations of corporate headquarters typically are staffed by nationals and have a high degree of autonomy.

Starbucks uses a form of this model. Miniature versions of Starbucks exist in 17,743 locations in 55 countries and 11,068 locations in the U.S. Starbucks' strong corporate culture emphasizes the importance of employees ("partners"), which it sees as purveyors of the brand. This emphasis on partners is consistent and non-negotiable around the world, an example of the hub culture being predominant.

Decision-making is decentralized and regionalized; partners work with the operations team “to ensure that stores are designed in a way that has relevance to the community... which is an essential part of building relational capital.” Its corporate headquarters is called the Starbucks Support Center, reinforcing it's there for support and not to dictate. Starbucks shops customize their décor and their offerings to reflect the local culture. In France, for example, they “Gallicize” the menu with café gourmand—espresso served with several small puddings—and in Argentina, they offer a local specialty called dulce de leche that has caramel-style cream and a tea-like infusion.

Economic Power Model

Companies who follow the economic power model demonstrate that their products and services have global appeal and reflect the global nature of the organization's knowledge base and cultural understanding. Each company requires a different competitive strategy and a large investment in sales and marketing to support that strategy.
Economic power model companies operate primarily within and generate near-even percentage of revenue from the largest economies (E.U., U.S., and Asia). Car companies like Honda and Nissan use the economic power model. Toyota does, too, and is actually pushing the boundaries of the model.39 The company, which has plants in 27 countries, is trying to replicate operations without squelching regional differences. “It’s extremely important to have the same common Toyota Way infiltrated to employees in all corners of the world,” Katsuaki Watanabe, the company’s president, told the New York Times. “But on the other hand, in each corner of the world, in each region, there are inherent characteristics that need to be respected.”

LVMH, Paris-based world leader in luxury and owner of 60 brands including Louis Vuitton and Dom Perignon, is another example. The company, which has a retail network of more than 2,400 stores around the world, has proven that once a country has a middle class, luxury in the form of status symbols will sell. “China’s rapidly emerging middle class is developing a voracious appetite for luxury,” said Rupert Hoogewerf, who publishes the Hurun Report.20 LVMH sees its products as synonymous with luxury. To protect and promote its brand, it focuses first and foremost on quality. If the number of stitches on a handbag strap is off, the bag is destroyed. That plays well in Japan, where customers “count the stitches,” says Louis Vuitton factory director Stephen Fallon. “If they count four on one side and five on the other, they bring the bag back.”

**Integrated Network Model**

A company that develops a global corporate culture, incorporating its mission, vision, values, policies, procedures, systems, and practices is using the integrated network model. People and jobs are placed where the costs, skills, and business environment are right and leadership is often indigenous. Information, knowledge, and strategies flow in all directions, not just from the country in which the company is headquartered.

This is a relatively new model for conducting global business, and one that companies may be more likely to aspire to than to execute well. Globalization drives the way the company, which earns two-thirds of its revenue outside the U.S., deals with technology, strategy, business practices, corporate culture, languages and multiculturalism.22 Instead of IBM offices in each country handling its own operations, the company has set up global centers of expertise which handle specific functions for the entire enterprise: global purchasing and procurement is in China and global financial processing is in Brazil.23

One of the ways IBM achieves global integration across all functions is through a strong international mentoring program, whereby employees from other countries and cultures learn from one another.24

A piece in BusinessWeek gave an example of how it works: “Taiwanese software programmer David Lin paired with Danny Chen, an engineer who was born in Taiwan but works in Austin. Chen taught Lin how to develop ideas that were patentable, and Lin set up an invention team in his office and began publishing a newsletter full of tips...
for new inventors [and the number of patents awarded to the Taipei office increased]. For his part, Chen got valuable advice from Lin on how to do business in China.\(^\text{65}\)

### The Cultural Component

Regardless of which model a company uses, it will have to educate workers about culture—the shared ways groups of people understand, interpret, and behave in the world—and its implications on work. It will have to help workers (many of whom aren’t skilled in developing cross-cultural relationships) negotiate the challenges of doing business on a global scale.

The biggest mistake companies make is assuming that what works at home will work abroad. Too many have what Mary Teagarden, a professor of global strategy at the Garvin School of International Management in Phoenix, calls “a headquarters mindset.” She encourages more receptivity to new ideas that spring from differences—something that can be greatly enhanced by bringing nationals back to headquarters and listening to their perspectives, instead of only deploying managers from headquarters.

That openness to new ideas is one of three characteristics a manager must have to be successful in other countries, Teagarden believes. The second one is a belief that differences matter, including differences in how people around the world think, work, eat, and use verbal and non-verbal communication. The third characteristic is cognitive complexity, “the ability to balance the need for consistent corporate practices with the need for regional uniqueness—both in terms of respecting cultural differences across geographies and seizing the unique advantages of each market.”\(^\text{66}\)

In the same way that managers shouldn’t allow the corporate mindset to color their thinking, they shouldn’t allow the local team to railroad them into adopting their business practices just because that’s the way they’ve always done things. It’s a difficult sensibility to develop, and one that might require time and experience. Rather than immediately sending a manager overseas to manage a global project, Teagarden recommends leading the team virtually first. That way, managers get a chance to learn some of these skills without the overwhelming task of figuring out how to live in a new culture.

At a minimum, employees working on international teams should know enough that they can be sensitive to cultural differences. There are many opportunities for miscommunication between Japanese and American businesspeople because the cultural norms are so different. In Japan, business never gets transacted until a personal relationship has been established. Age and experience are revered, so young people—no matter how competent they are—are considered inappropriate choices for top management positions. Harmony is more valued than truth, which is seen as relative.

This may seem unthinkable to U.S. business leaders, who just want to know “the facts.” They expect meetings to cut to the chase because effective use of time is a virtue in America. Youth and vitality are prized; young entrepreneurs like Sergey Brin and Larry Page, the co-founders of Google, and Mark Zuckerberg, the founder of Facebook, are
In addition to solving the cultural differences dilemma, facilities professionals have to contend with a wide variety of architectural challenges and differing technical standards.

given cover treatment in prestigious business magazines rather than kept under wraps. When people from these vastly different cultures team up, a project can easily get derailed.

Even when cultural issues are surmountable, one of the ongoing basic challenges to doing business globally is the language barrier. English is becoming the international language of business—colleges in Seoul, Paris, and Madrid have begun to teach their business and economics courses in English—but customers still expect that they'll deal with a salesperson who speaks the customers’ language, that all paperwork will be completed in the local language, and that they will be provided with price lists and sales literature in that language.

One Size Fits... One Size

With the advent of office work in developing nations, there's been an explosion of office space in places like Barbados, which is positioning itself as the medical transcription capital, and the Philippines, Vietnam, and Malaysia, which are up-and-comers in call center work.

That's a new challenge for members of corporate facilities groups, who may find they have to provide office space for workers in China, Brazil, Russia, India, as well as the U.S. all at the same time. In addition to solving the cultural differences dilemma, facilities professionals have to contend with a wide variety of architectural challenges and differing technical standards. Furthermore, even though countries have laws and building codes, the cultural norm isn't always to abide by them, and that's something that can even vary region by region.

Architecture itself often has a major influence on furniture selection. In Europe, for example, where some offices are located in buildings that are older, small, and more residential than in North America, the furniture must be scaled differently and be aesthetically compatible with the architecture. In Japan, offices also are small, due in part to the shortage of land; only 28 percent of the land there is inhabitable. Workstation typicals often reflect this premium on space.

Beyond size, there are other kinds of differences in workstation layout. A Herman Miller study of almost 20,000 workstations in 14 countries reveals some of them. Thirty-six percent of the international floor plans are curvilinear or angular compared to 19 percent of the North American plans. Organic layouts, which have natural traffic patterns that spring from the buildings interior design, are more popular internationally. Twenty-five percent of the international floor plans incorporated organic layouts compared to only three percent of the North American floor plans.

Technical standards are another challenge to organizations with offices in a variety of locations. The U.S. operates on the imperial standard for dimensions, which is based on the human body. A foot equals the length of a foot. Most other countries use the metric system, which is based on mathematical divisions of the Earth's circumference. The two
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are not interchangeable, so the components that make up the standard workstation in York, England, will differ in dimension from those that make up the standard in Dayton, Ohio.

Electrical supplies vary, too, requiring different outlets, electrical components, and cable management products. Safety and performance standards for office furniture also differ. In the U.S., for example, the voluntary nature of standards compliance reflects the nation's aversion to governmentally imposed requirements.

The Pitfalls of Standardizing

Work styles and attitudes also vary between countries. Because the Japanese manager expects to be able to see his employees at all times, the typical office in Japan contains a manager's desk at the head of a U-shaped configuration of employee desks. The French, on the other hand, often prefer to work in clusters of three or four freestanding desks, ringed by floor-to-ceiling storage walls or freestanding files. The Germans value privacy, while in the U.S., open plan systems are the norm, reflecting this nation's blend of individual and group work practices. In the U.S., organizations are adopting alternative work styles (e.g., telecommuting); reduced office footprints reflect that change.

Cultural considerations also determine the attributes of a successful product. In Asian countries, certain products might be green, a color that's associated with balance, but it's less likely in South American countries, where green is associated with death. While the U.S. prefers furniture that matches, Europeans value an eclectic appearance. Even the definitions of product benefits differ between countries. In France, quality is defined as style. In Britain, however, it's defined as durability. The French think of flexibility as the ability to adjust individual pieces, whereas the British define it as ease of reconfiguration.

As a result, a company might find it difficult to develop one world-wide standard that accommodates all the variables—architecture, work styles, and cultural norms—although Herman Miller's research shows that within countries, 97 percent of workstations follow global guidelines. What works in China may not work in Italy, and a Russian customer needs something far different than a Taiwanese. To make it easier for global customers to support workers in various countries, Herman Miller is now developing a global platform of products with regionally appropriate options.

Different—and the Same

While there are differences in what people want shaped by the culture in which they live, there are also similarities that spring from being human.

While there are differences in what people want shaped by the culture in which they live, there are also similarities that spring from being human. People from all cultures want office environments that help rather than hinder them when doing their work. They want to be safe and healthful as they go about their tasks. "We must understand what differentiates people and what unites them," says Professor Teagarden. For companies doing business globally, "Understanding that tension—how are we alike and how are we different—is a critically important starting point."
Notes

23 Steve Lohr, “Global Strategy Stabilized IBM During Downturn.”


32 Herman Miller Global Business Services Team (Bangalore), “International Floor Plan Analysis.”

33 Glenn Rifkin, “Building Better Global Managers.”