

Going Global: How Boards Can Help Companies Make the Leap

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By Tony Chapelle

More U.S. corporate managers are rushing to dig beachheads around the world and expand their markets. But how can boards help build the strategies and leadership a global company needs?

Directors with experience in multinational governance have a long list of do's and don'ts.

Among them: Switch to global instead of multinational processes. Instead of competing with local producers, seek alliances with them. Use culturally fluent scouts to keep you abreast of intelligence in foreign markets.

It's accepted wisdom that U.S. companies looking for growth must look abroad. **Susan Schwab**, a former U.S. trade chief, sits on the boards of **Boeing**, **Caterpillar** and **FedEx**. She believes that U.S. companies fare better when they engage foreign customers on their home turf rather than wait for them to buy here.

Yet a recent study published in the *McKinsey Quarterly* suggests that Americans are losing their former advantages. Emerging-market companies grow faster on average than those from the developed world, no matter where they are competing, say **McKinsey & Co.** researchers.

"The era when American companies just parachuted in with their culture and marketing style is over, if it ever existed," says **Wallace Ford**, a director at privately held **Gridline Communications Holdings**, a broadband provider.

Ford, an attorney and former commissioner of the New York City Department of Business Services, now does foreign trade consulting for clients such as **Pfizer**, **Anheuser-Busch** and the Republic of Nigeria. He points to **Wal-Mart** as an example of a multinational linking up with a local brand.

Wal-Mart currently is awaiting approval from Nigeria's government to buy majority ownership in **Massmart**, the country's largest retailer, for \$2.4 billion. "Collaborative relationships are more successful," says Ford.

Besides partnerships, a critical consideration for companies going global is whether to centralize processes such as finance, procurement and human resources or to create individual business units, possibly in individual markets.

Michel Janssen, chief research officer at operations consulting firm **The Hackett Group**, says the percentage of multinational companies using a centralized process design will jump to 62% by 2013 from 39% in 2010.

Janssen explains that a central operation lets companies standardize activities such as issuing purchase orders and paying vendors. Lower complexity, plus economies of scale, can reduce costs.

At the same time, Janssen reminds managers to stay responsive to local markets. In fact, he recommends that companies not change most business decisions outside of the general, sales and administrative (GS&A) area.

Directors and executives at companies moving beyond the U.S. should also remember that globalization gives them a chance to import innovation, not just export it.

“Boards have to ask management where the innovations are coming from,” says **Blythe McGarvie**. A board member at **Accenture, Travelers Companies, Viacom** and **Wawa**, she recommends using “crowd sourcing,” gathering intelligence from the general public, to understand new markets. She also advocates using scouts to explore new territories, as well as your own shoe leather. “Your best ideas don’t emanate from headquarters,” she says. “Get on a plane.”

Finally, of course, directors and managers with global experience are best suited to launch a cross-border attack.

“To create a global organization, you need to have global executives,” says **Stephen Miles**, a consultant with the CEO and board director practice at **Heidrick & Struggles**. He adds that too many members of his client boards have “only U.S. passports.”

But that is changing. International management experience is an important criterion for the nominating committees at companies such as **Lennox International, Time Warner** and **Stanley Black & Decker**, among others. And in March, **Bank of America** appointed **Mukesh Ambani** as its first non-American director. Ambani is chairman and managing director of India’s largest conglomerate, **Reliance Industries**.

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