

ChiefExecutive.net

SOLUTION CENTERS

- Leadership & Strategy
- Business Expansion
- Wealth Management
- Corporate Finance

ARTICLES BY TOPIC

- Leadership & Management
- Strategy & Competition
- Marketing & Brands
- Innovation
- Human Capital
- Manufacturing, Outsourcing & Supply Chains
- CEOs & Technology
- Entrepreneurial CEO
- Environmental
- Governance
- Legal
- Executive Life

CHIEF EXECUTIVE FEATURES

- CEO Confidence Index
- Best & Worst States for Business
- CEO Interviews
- CEO of the Year
- CEO Transitions
- Conversations with the Editor
- Books in Review
- Final Word
- Blogtracker
- Event Photos
- Videos

Articles/Archives

Print Email Facebook Twitter Plus Share

How Global Is Your Senior Team?

If more and more of your revenue and profits are coming from outside the U.S., should the composition of your top team reflect this?

BY RUSS BANHAM



Shivan S. Subramaniam is the quintessence of the modern American CEO. O.K., his name doesn't read like "Sam Walton" or "Warren Buffett" or even "Howard Schultz," but he and his senior management team at commercial insurer FM Global in blue collar Johnston, R.I., are the face of tomorrow's U.S. multinational corporation. Maybe even the face of today.

Subramaniam is of Indian descent. Vice Chairman Ruud Bosman hails from The Netherlands. Senior vice president of the international division Ken Davey is from the United Kingdom, as is Chris Johnson, senior vice president of marketing and enterprise learning. Other senior team members, like CFO Jeff Burchill, were born in the U.S., but have served multiple, long stints overseas. Of the 11 most senior executives in the organization, seven are foreign nationals.

A venerable company that traces its heritage to 1835 as an insurer of factories, office buildings and other business property, FM Global today has 60 offices worldwide and annual revenues of \$4.6 billion. Until the modern era, however, its senior management team looked like most other senior management teams at U.S. corporations. "Everybody went to a New England school and was very, very Yankee," Subramaniam says. "There's nothing wrong with that if you're a local company selling just in New England. But if your marketplace is global, your senior managers and your workforce should be as close to global as possible."

He explains why: "The value is the incredible diversity of perspectives coming from people who know each other well, and our product and services inside out, yet see things differently," he says. "As a global company, having people who truly understand the cultures you serve offers a depth of opinions that you need to make the most informed decisions."

Apparently, more U.S. multinational corporations are beginning to employ senior management teams looking somewhat like FM Global's. This contrasts rather sharply with the composition of their boards of directors. As we pointed out in Part One ([How Global is your Board?](#)) of this series, only six percent of directors serving the 200 largest companies in the Standard and Poor's 500 are foreign nationals. A much larger percentage of foreign nationals, on the other hand, serve in senior executive positions. We'd love to provide some quantitative proof in this regard, but studies are lacking. Nevertheless, it appears at least from the anecdotal evidence we've compiled that the composition of the C level suite and senior management teams is looking a lot more like the national markets in which they compete.

The reasons for this varied makeup are many, but can be boiled down into one word globalization. As U.S. companies interact and integrate with foreign partners, suppliers, vendors and markets, forming unique collaborations in the international economy, deeper perspectives on conducting business in these regions are necessary. A U.S. born and reared executive with foreign business experience can provide this insight, but it will be shaped by the person's Western cultural background. A foreign national, on the other hand, will have a more nuanced perception of opportunities and challenges. As Patricia Lenkov, president of New York based executive search firm Agility, puts it, "If you're an American consumer products company, how can you sell in India unless you know how an Indian thinks?"

Others agree. "To understand the dynamics of emerging markets like China or India really requires that you spend quite a bit of time there or hire someone from that region who brings with him or her not just business experience but also knowledge of how business is conducted," says Marc Rosenberg, a partner at global law firm Cravath, Swaine & Moore. "It's a different world, and the global companies that best grasp these differences have a competitive advantage."

"If your market is the 'citizens of the world,'" says Mylle Mangum, chairman and CEO of IBT Holdings, "then your senior team should be composed of those citizens." Mangum, a director at nine multinational companies over the course of her career, says the most successful ones respected national differences. "A multinational corporation is essentially a local company in each of the markets in which it operates, yet doing business in Latin America is different than doing business in China," she explains. "There are different ways of bringing products and services to market, based on different customs, regulations and cultural expectations. Having international experience is not the same as having international sensitivity."

Enhanced Perspectives

This sensitivity cannot be gleaned from reading a white paper or retaining a consulting firm. Yet, many U.S. companies venture abroad without it, sometimes blundering into a blind alley. "Companies often think they can simply take a product they sell here and then sell it the same way abroad," says Tom Adams, CEO of language learning software company Rosetta Stone, "but that's not the way the world works. Just because a product is successful in one country doesn't necessarily guarantee it will be successful in another. You need to understand how the buying public in a particular geography will greet the product, which is based on their cultural predispositions. To grasp these inclinations, one needs to live in that culture."

If you send a bunch of Americans to the Middle East to conduct business, they're apt to get right to the point about 'dollars and cents.' That's highly offensive, however, to businesspeople in the region.

Subramaniam agrees. "You want the viewpoint of someone who has spent multiple years in a particular geography, someone who can tell you where the trapdoors are before you move forward and fall in them," he says. "This person can be a U.S. national, of course, but in this day and age not many Americans have served long enough in emerging markets to fully understand them. Hiring an accomplished executive from these regions, someone proficient in speaking English who understands your products and services the business you're in often is a better option."

We've come a long way from the cultural brouhaha that greeted General Motors when it marketed its Chevrolet Nova automobile in Spanish speaking countries. "No va," to GM's chagrin, means "won't go" in Spanish, not the best advertisement for a car, although it actually sold well, GM insists. The point is that global companies would do well to solicit decision making information from culturally diverse executives before risking a global strategy. A senior team composed of individuals hailing from the various markets the company serves will provide more diverse perspectives on business practices, potential partners, supply chain links, acquisition opportunities, financial return on investment and marketing strategies.

Many companies, like General Electric, might argue that its senior team is "global," even though these executives, by and large, are American born and reared. Yet, former Vodafone Group CEO Arun Sarin suggests that GE is an "international" company, not a "global" one.

POLL

Would a government shutdown be good or bad for business conditions in the U.S.?

- Good
- Bad
- Neither

Your Comments:

Submit

[View Results](#)

[View Comments](#)

[Previous Polls](#)

and this is a very specific difference. British educated, an Indian by birth, indwell versed in the American business culture (he held several top executive posts at San Francisco based Pacific Telesis), Sarin pointed out that his senior management team and extended management team together comprised people from some 80 countries and continents, including Poles, Germans, Asians and Egyptians, among others. These culturally diverse individuals provided such extraordinarily broad perspectives when presented with a foreign market strategy that when the time came to make the decision Sarin was confident in the direction taken.

"We may take longer than a typical U.S. company to make a strategic business decision because it takes time to get everyone's input. Those executives, who may be conversant in English but for whom English is not their mother tongue, are sometimes reluctant to express their misgivings, doubts or even questions about a strategy right away," he explained. "But once a decision is reached everyone is solidly behind it, and we move forward with its execution. By contrast, an American firm may make decisions faster but not everyone is necessarily on board at the time, which causes friction down the road." Because most of its top executives are American, GE, Sarun believes, is really an international company where as a company such as Vodafone is more truly global.

"It comes down to decision making there is no substitute for having someone on your team from a culture in which you are selling your products or services," agrees John S. Stroup, president and CEO of St. Louis based Belden, a global provider of signal transmission solutions. "What we assume in America to be universally true in terms of business often is not the case."

As Belden's business became more global (it was founded in 1902 as a manufacturer of insulated magnetic wire), Stroup says the company gradually assembled a senior team that reflected this internationalization. "We began with Americans in all the leadership positions, but today, of the 50 people in significant leadership positions here, I'd say half are foreign nationals stationed outside the U.S.," he adds.

Having the opinions from these culturally diverse individuals helps Stroup take a more accurate pulse of global marketplace trends, political risks, future regulatory and legal actions, and what he refers to as "customer facing issues." He elaborates: "The ways in which a company brings a product to market in different regions differ, often markedly. In one country you might have a direct sales relationship with the customer, whereas in others you may need all sorts of distribution relationships and incentive type sales schemes. These nuances require insight to understand fully, and you get it from someone who's 'been there, done that.'"

The senior team at IHS, a global provider of market intelligence, fits this description. Jerre Stead, IHS chairman and CEO, cites three foreign nationals from China, Sweden and the U.K. as members of his senior management team of 12, enhancing his decision making, he says. "Sixty percent of our revenue comes from outside the United States, so it makes sense for me to draw insight from people with real global experience," Stead says. "The more diversity, the better my decisions".

Having a global senior team also may lead a company into profitable markets it otherwise might have avoided. GMT Corp., a work force optimization software firm, would have remained purely focused on U.S. business prospects had it not assembled a senior team of executives hailing from different nations. "We weren't afraid to venture beyond the U.S. market because we were comfortable in our own skins," explains Roger Avats, chairman, president and co founder of Norcross, Georgia based GMT, which today derives half its revenues overseas. "We had a better understanding of global markets and their challenges, having essentially come from foreign nations ourselves."

Avats, GMT's former CEO, was born and reared for a short time in India before relocating to the U.S. GMT's current CEO, Simon Angove, is a Brit, and the firm's Chief Technology Officer, Mike Podrazhansky, was born in Russia. This cultural patchwork defines much of the company's work force, Avats contends. "When we entered the Australian market, we made sure we had an Australian on the senior team there," he says. "Same thing in other regions you don't want to risk overlooking something small that can doom your plans."

Angove says all American executive teams often fail to fathom the potential impact of cultural differences on a business venture. "If you send a bunch of Americans to the Middle East to conduct business, they're apt to get right to the point about 'dollars and cents,'" he explains. "That's highly offensive, however, to businesspeople in the region. They want to drink tea with you for a bit, talk about your respective families, and then 10 minutes before the hour long meeting is concluded, get around to doing business."

In Africa, another GMT market, Angove says business negotiations are eased by discussing sports, especially rugby and cricket. "It consumes the culture to the point where the business language is littered with sporting analogies that escape most Americans," he notes. "If you're going to do business there, either get a quick lesson on cricket or hire someone local from the region to conduct business for you."

Rosetta stone also was able to extend its international ambitions by having a global senior team, which is a veritable hodgepodge of world cultures. "I'm Swedish and grew up in France," says Adams, who moved to the U.S. to assume the post nearly seven years ago. "On my senior team is Eric Eichmann, head of marketing and business development, who is Swiss but grew up in Colombia; Michael Wu, an American citizen who until college lived outside the U.S. in Korea, Saudi Arabia and Austria; and Pamela Mulder, the head of our brand strategy, who comes from Michigan but has lived abroad extensively and now runs our international operations in Venezuela."

Rosetta stone used to be run by an all American senior management team, despite the nature of its business. As it strategically penetrated global markets, the company built a senior management team that reflected its international ventures. This team has since guided subtle but singular changes in the company's products. "We used to think we could sell the same product abroad that we sold here," Adams says. "Instead, we had the confidence to be something else."

Rosetta stone's traditional product is predicated on teaching a language to someone who has never spoken it before. As it began to sell this product abroad it hit a brick wall. "We realized that...many people outside America already speak a fair bit of English," Adams explains. "They take courses in school from the earliest grades onwards. Hence, our decision to alter the product based on the language learning skills they've already developed." A solely American senior management team "might not have appreciated this nuance," he adds.

Less of the Same

Evidently, the benefits of a global senior team are compelling more U.S. multinationals to hire abroad. "Given the growth in Asian markets, more companies' sights are set on recruiting experienced Asian businesspeople," says executive recruiter Lenkov. "As business becomes more global, we've been retained increasingly to recruit talented executives from Asia or expats with substantial background and experience in Asian businesses and markets."

Not that global senior teams are a panacea. There are hurdles to surmount in having people from diverse cultures effectively collaborating. "When people come from different cultural backgrounds, it compounds such team issues as effective communication and conflict management skills," says Lauren Mackler, author of *Speaking of Success*, and an executive coach. "Executives need to be aware of, and sensitive to, the different cultural behaviors, and be willing to take the time to understand versus judge each other."

Rosenberg has a similar view. "It's a false sense of confidence to think that it is easy for people from different cultures who speak different first languages to come together and work seamlessly," he says. "I'm a big believer that the U.S. companies that got big first internationally did it by hiring talented executives around the world, but there are practical issues to be worked out."

Others question the perceived merits of hiring foreign nationals. Wayne Rogers, chairman and CEO of Stop-N-Save, which owns and operates convenience stores in the Southeast, says the objective with any company's hiring practices "is to get the best person for the job, regardless of their nationality. If that person comes from France, fine. But, hiring someone from France merely to have his or her representation on your senior team makes no sense. I'm on the board of a company [Vishay Inter technology] that has 35 factories in 18 countries. While the people who work there come from these countries, the executives who manage it are almost all Americans. I don't buy the notion that the company would do any better if it was run by people with 18 different nationalities."

Fortunately, a U.S. multinational corporation operating in 18 countries worldwide doesn't necessarily need to have executives from all 18 countries on its senior team, Mangum notes. "But, if one or three or five of those markets represents the bulk of overseas revenue, then you most certainly should consider hiring, developing and training nationals from these countries," she urges. "Ultimately, you will gain by having someone who can cross cultural boundaries to assist a deeper dialogue among the senior ranks. This richness is what successful businesses are made of."

The comment resonates with Subramaniam. "It can take time for people from different cultural backgrounds to find ways to work together effectively, but, once they do, it offers a better long-term approach for managing a global company," he says. "People learn from each other, come to appreciate their mutual differences and develop deeper respect for their colleagues. Those outcomes ultimately are good for the staff and for the growth of the company."

RELATED RESOURCES

Articles:

- [Leveraging China and India](#)
-

About Chief Executive Group

[Magazine](#)
[Events](#)
[Online](#)
[Research](#)
[Advertising](#)
[Contact](#)
[Legal Terms](#)
[In The Media](#)

Chief Executive Sales Headquarters

Chief Executive Group, LLC
One Sound Shore Drive, Suite 100
Greenwich, CT 06830

Tel: (203) 930-2700

Fax: (203) 930-2701

 [Follow Chief Executive on Twitter](#)