

Session 3: How to blend cultures and effectively take advantage of greater diversity? How to build effective organizations in a global world? Could Europe lead the way for a more modern and global management?

Wendy Cartwright: Yves has asked me to open up with just a few words of reflection on the packed agenda that we had yesterday. First of all I have to say that Catherine's talk was absolutely fascinating. I think it was worth coming to Lisbon just for that. And I sincerely mean that because that was such a rich source of data and such an interesting input that helps make sense of this really challenging picture on human globalization. When I turned on the TV this morning onto BBC world news and saw the results of the Indian election, they were talking about urbanization being a challenge of the new government, about electrification, about education and some of those things we heard yesterday, and the increasing regionalization of that big country as well. So that was a reinforcement of some of what Catherine said, and I certainly understood the news in a different way, having heard Catherine's input yesterday. The conversation, or the input that we've had from our colleagues from the University of Rome around ageing population, and leading into that conversation around the skills matching being the really key thing for us to confront, and particularly Jean-Christophe's insights. People are focusing on the top end and the bottom end, but in terms of the middle, sort of the technical skills, people with middle education, I thought that was fascinating as well. And then the debate we had, which was using the German case study around flexibility, again from a UK perspective – and Steve Bevan made some very good points about how that model in part kind of reflects what we're seeing in the UK, and dialogue between the trade union colleagues and colleagues who have worked in management was interesting and balanced. There is no one way of solving this situation but the way the countries are responding to these social realities, and what that means for the unemployed, and how we transition people into employment, was really fascinating. Today, we're going to look at this from a different perspective. We're going to talk more about mobility and culture.

Yves Barou: Today, we cover big macroeconomic issues, societal questions coming back to our companies. When putting together this program, the first idea that came to my mind was to say that European businesses have been spared from the human globalization shock. It's just the beginning. And we're here to perceive, to analyse the weak signals. Because from many standpoints, companies are going on with their habits but there are, here and there, some shocks, some facts that echo inside businesses. I just want to provide some examples from my experience, to open this discussion. First, a few years ago I had to expatriate to China a young Chinese employee who went Polytechnique in France. I thought he would be very happy to be recruited by Thales and that would be very nice. Then the discussion became a bit complex because he was Chinese, and I thought the job would be in Shanghai and he would be fine. But of course, he wanted an expat package, saying, I'm Chinese but I was trained in Paris, I have the same education as French engineers. I don't see why I would receive less in Shanghai. Besides, I will be better because it is my country. So I have the same advantage as the French and the Americans and I also have others, so I should be paid more. So I want more than an expat package. So it was kind of a complex discussion. In the end, to save appearances, we didn't give him the expat package but we gave him the same amount of money. Second example, someone in Thales produced a paper on the topic of living together. We had to

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manage two situations in Canada and United States. One in Irvine, California, in the business of putting together televisions for planes, was team working. There are three teams and one team is composed of normal Americans, who speak English. The second team of is composed Chicanos, speaking Spanish, and the third of Chinese who speak Chinese. This plan had many problems because between those teams, there was no communication at all, and a lot of fighting. So when you have teamwork, and as the connection between each team is difficult and explain what happened, to pass the messages, it's a big problem. Another example which was detailed in the paper I mentioned is in Toronto. Toronto is probably one of the places in the world that is kind of like a Babel Tower. In Toronto, in the Thales plant where there are 1,000 people, there were about 30 communities. Every day, there was a problem between communities, because those people live in different neighbourhoods, eat different things, have different sports. They have no opportunity to meet outside the company. But as soon as they enter the company, we pretend they are employees all the same. But in reality, they fight. Then come the leaders of each community, which is not a classic game between top management. It's not a trade union. Just the leaders of each community, so the HR manager in fact was spending most of his time managing the different communities. Another example, which is in a way connected to my Chinese young guy experience, is the fact that there's an emerging global market. Some people have competencies and availability to work anywhere, in which case the debate on compensation becomes very different. Of course, it's a minority. But still, it does exist. Another side of the coin for me is also the brain drain. Competition between companies regarding many technicians or experts in the middle of their career and, when the company has made the investment, then they are at risk of losing this investment, those persons. Many companies are relocating or opening new plants closer to their market. It's obvious for many companies. Doing so, they grow internationally faster than they thought and they create middle classes in those cities where they are. The next step is that they try to integrate those new managers, experts, coming from those countries, which creates a new situation because you have many nationalities appearing in training sessions, in management sessions, and all the processes are affected by this increasing diversity. We've seen yesterday that most of the recruitment, and it's true I believe, is done within the country with people already there. But there is another phenomenon with people in a plant that is in another country, the company trying to send messages of global movement and moving some of the people. Starting from those facts, I thought what is the process for a company to become global? Another way to raise the question is, at the end of the day, does the nationality of the company mean something? This is a question we often see in newspapers, especially when there are problems. Trying to understand the steps of globalization of the company, I see personally four steps. First step: the company sends an expert, some expats, whose mission is to control the head of the local office. They are at the local office, in a finance position but they are in a controlling mode. They have some kind of autonomy but it's a controlled autonomy. In the second step, pressed by technological or commercial needs, skills are exported. The centre remains the reference frame but skills are exported in order to create more consistency. In a third step, in large organizations, you see appearing a kind of multipolar organization with centres of excellence scattered all over the place, with competing centres of excellence. And I've seen a couple of companies having to create a process to arbitrate between those competing centres of excellence, although they are in the same company. The fourth step is to move, what I would call true multi-domesticity. And in this step, each local company can truly be a citizen of its country or of its region. The concept of global head office disappears because there are global head offices but business units. And in this last step, the nationality of the company fades away and is more divided between countries. Globalization affects

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the organization of the company and raises a lot of questions. The idea today is to cover typical questions raised in businesses. In the first session, we will talk about everything that is linked with living together, diversity. The second session will address everything linked with compensation, career, expatriation. In the afternoon, we will come back to the question that in companies we started by a macroeconomic point, but we are going to finish by the larger point because, as was said yesterday, many topics cannot be solved in the company, and the need of a European framework, which doesn't exist today, could make a lot of things easier.

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Introduction