

[GLOBAL BUSINESS]

# On the Rocky Road to Strong Global Culture

It's not easy to build a strong organizational culture worldwide—but "cultural hubs" beyond headquarters can help,

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For more than a decade, multinational companies (MNCs) have been encouraged to create a strong global corporate culture through shared core values and practices. Building a global culture is hailed as a robust and flexible approach to dealing with the complexity and rapid changes these companies face. Indeed, several recent surveys of global executives have all identified the ability to maintain a common corporate culture as one of their greatest challenges and a top concern. 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 multinational corporations, and we have found that few companies succeed at building an organizational culture that is globally integrated, yet flexible enough to accommodate local variations. (See "About the Research.") Based on our research and that of others, we have identified at least two key barriers. One barrier is a headquarters-centric mindset: 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.

This approach breeds skepticism about global culture among overseas employees, who may perceive headquarters' core values as ethnocentric and parochial.

A second often-overlooked barrier is that thinking about global culture has been too heavily influenced by a model that conceptualizes global culture along a linear continuum ranging from "weak" to "strong" culture. Such an approach is too simplistic to capture complex cultural realities in MNCs, which may have "islands" of strong culture distributed across their geographically far-flung operations. In our research, companies did not simply have a "weak" or a "strong" culture, but rather displayed more complex cultural patterns. Based on these patterns, our framework suggests that global organizational cultures can be categorized

## ABOUT THE RESEARCH

In our research, we examined the organizational culture of 10 multinational companies headquartered in Asia-Pacific, Latin America, the Middle East and North America. At each company, we studied the corporate headquarters and at least two overseas subsidiaries. The 10 companies are in the financial and other services, high technology, pharmaceutical, chemical, and telecommunication industries, and they vary in their international experience as well as in their size (from 1,400 to 188,000 employees).

The research was organized into two parts. First, we conducted about 250 interviews with line and HR executives at the corporate headquarters and participating overseas subsidiaries. We asked executives in 14 countries about the characteristics and strength of the corporate culture across geographic locations, about how the culture affected the company's ability to implement its global strategy, and about the impact of HR policies and practices on their global competitiveness. In the second part of the study, we surveyed more than 4,000 employees in 38 locations worldwide to assess the organizational culture of each of the companies, in both their headquarters and their overseas subsidiaries.

The authors' research suggests that a strong global culture is the exception rather than the rule.



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. While there are no pure types, our framework identifies four principal patterns of global culture that characterize many multinational companies: Spearhead, Outpost, Disoriented and Global.

**Spearhead Culture.** Some companies have a set of core values and practices that are well articulated and widely shared *within* the corporate headquarters, whereas employees of overseas subsidiaries share these values weakly and are occasionally unaware of them altogether. Corporate headquarters is the dominant cultural force and core values are not open to local adaptations; if any adaptations are made, they are usually initiated by corporate headquarters and driven by frustration rather than a genuine respect for local ways.

The Spearhead culture is not without merit as it allows companies to run a tightly controlled operation and quickly integrate newly acquired businesses. However, the mediation that should occur between the global and local values is virtually nonexistent, with headquarters-centric values being imposed throughout the organization. In the long run, the Spearhead culture runs the major risk associated with a centralized, ethnocentric global company: charging ahead with no one following behind.

**Outpost Culture.** In some global companies, which may battle the legacy of a multidomestic past, there are islands of strong culture in a sea of cultural fragmentation. These "outposts" are successful subsidiaries led by highly effective local executives who create a strong culture at the subsidiary level, based on their understandings of the company's core values. But due to the company-wide fragmentation and lack of corporate leadership, there are no processes set up to share these subsidiaries'

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success in building a strong culture with other units. Other overseas subsidiaries are often lost while corporate headquarters is struggling to lead and reshape the company.

**Disoriented Culture.** A disoriented culture, while not common, can be a characteristic of a multinational company experiencing turmoil and upheaval, perhaps due to radical changes in the business environment, intense global competition, major organizational restructuring, or successive mergers or acquisitions. Here neither corporate headquarters nor subsidiaries have a sense of mission and strategic direction. Core values, even if defined and espoused by top management, exert little influence on operations and behaviors in any part of the company. Employees often lose faith in management and are baffled by where the company may be headed and how it will adapt to industry changes.

**Global Culture.** A company with a strong global culture has a set of core values and practices that are shared worldwide. These values often reflect an evolving amalgamation of values and practices drawn from the company's global network of operations. They constitute the cornerstone of strong global culture and serve as a yardstick that guides operations and actions worldwide. Having common values, however, does not mean that local differences are ignored. In fact, failing to adapt core values to local realities may hinder the company's success. Respect and trust in local knowledge are often key. These allow companies to localize the company's core values in a way that evolves into effective local practices. In this respect, core values can be seen as parameters within which local interpretations and translations can take place.

## Cultural Hubs in MNCs

Our research suggests that the Global pattern of culture is the exception. Creating a global corporate culture requires breaking away from a headquarters-centric mindset, drawing upon cultural capabilities that exist across the global operations and incorporat-

ing diverse cultural values and practices. Global culture cannot emanate from a single corporate center nor can it be disseminated by a single group such as the HR 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 creating and maintaining a strong global organizational culture.

A cultural hub is a unit, group of people, network, function or subsidiary within an MNC that has the capability to shape and articulate the company's core cultural values and assist in the process of localizing them. By establishing cultural hubs, companies can harness cultural capabilities that reside in different geographic locations and across functions and groups. In fact, most companies already have cultural hubs in place, but they go unrecognized and underutilized. To identify a company's cultural hubs, executives should look for locales within the company where at least one of the core cultural values is widely shared and practiced and appropriately localized and where there is a willingness and potential for the value or values to be shared across organizational boundaries and re-articulated in the process.

We should note that cultural hubs are dynamic; in other words, due to personnel changes or strategic changes, a cultural hub may cease to be a hub. Moreover, a cultural hub may embody many of the MNC's core cultural values — e.g., innovation, risk-taking and team orientation — or just one of them — e.g., innovation. Cultural hubs have in common two main things: They embody the values and practices 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. They are an asset the company can use in building a strong global culture that also allows for local interpretations.

Many companies have already articulated a set of core values that can potentially

be shared across global operations. The challenge is to ensure that these values reflect both corporate headquarters and the overseas subsidiaries' input and interpretation. Too often, core values reflect an ethnocentric approach to global organizational culture or remain an abstraction concocted at corporate headquarters. And occasionally, the meaning of certain values may be lost in translation in different cultural and business contexts. Therefore, the company also needs to review and re-articulate its core values using a multidirectional and iterative process that is led by the company's cultural hubs with the support of headquarters and involves a diverse set of organizational units and employees.

Through such processes, an MNC can identify the core values that must be shared across global operations and at the same time learn to elaborate their meanings in different cultural contexts. It can also identify values or norms that can remain largely open to local interpretations. Companies that successfully 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 cultural 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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