

RIDING THE TURBULENCE OF GLOBALIZATION

- Sustaining Productivity and morale during Mergers and
Acquisitions

Presentation made by

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London Business School

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Biography

John Stopford

John Stopford is currently Professor of International Business at the London Business School and Chairman of The Learning Partnership. His teaching and research in recent years have focused on three areas. First, is a concern with issues of designing and leading organisations capable of managing the complexities of global markets. Second, is in the field of corporate entrepreneurship, encouraging managers in large enterprises to act as though they were owners. Third, is in the field of global strategy, helping top executives in multinationals think through their expansion plans and, where appropriate, relating their choices to public policy issues.

Professor Stopford is a board-level consultant to many multinationals. His clients have included Burmah-Castrol, Courtaulds, INI [Spain], Electricité de France, IRI [Italy], Merck, Merloni [Italy], Philip Morris, Shell, The London International Group, Vickers and many smaller organisations. He has been retained by governments, including Brazil, Finland, Malaysia and Thailand, and by ministries such as MITI. Named by the *Economist* as one of Europe's management gurus, he speaks frequently at major conferences including the World Economic Forum (Davos) and on the media.

His publications include 10 books, various monographs and over 40 scholarly articles. His first book, *Managing the Multinational Enterprise* [with Louis Wells, 1972] was a best seller in the USA and Japan. *Rival States, Rival Firms* [with Susan Strange, 1991] won the book prize of the US Academy of Management in 1992 and *Rejuvenating the Mature Business* [with Charles Baden-Fuller, 1994] won the award of Choice magazine and is currently available in five languages.

Professor Stopford's first job was in the Rotterdam docks in the 1950s. He trained as a craft apprentice at Baker Perkins in the UK and then as an engineer at Oxford and at MIT, where he worked on the Saturn 1 program. He worked for Royal Dutch/Shell in the Netherlands and the UK and was later managing director of a subsidiary of Booker McConnell in Guyana. He has taught at Harvard, where he earned his doctorate, at the Manchester Business School before joining London in 1971, and as visiting professor at Wharton and MIT (USA), Stockholm (Sweden), and Aoyama Gakuin (Tokyo). He has also worked as a senior staff member at the United Nations, served as non-executive director of Shell [UK] Ltd and on various UK committees of enquiry, and is owner/director of several small companies.

Professor Stopford has been involved in numerous senior executive development programs for multinational corporations, including Aalborg Industries [Denmark], American Express, British Petroleum, Courtaulds, Daimler Benz, Danfoss, Fiat, Glaxo Wellcome, IRI [Italy], Old Mutual [South Africa], Pearson Group, Pirelli, Plessey, Rhône Poulenc, Wavin [Netherlands], World Bank and Xerox.

LET'S GO FOR IT!



LET'S STOP IT!



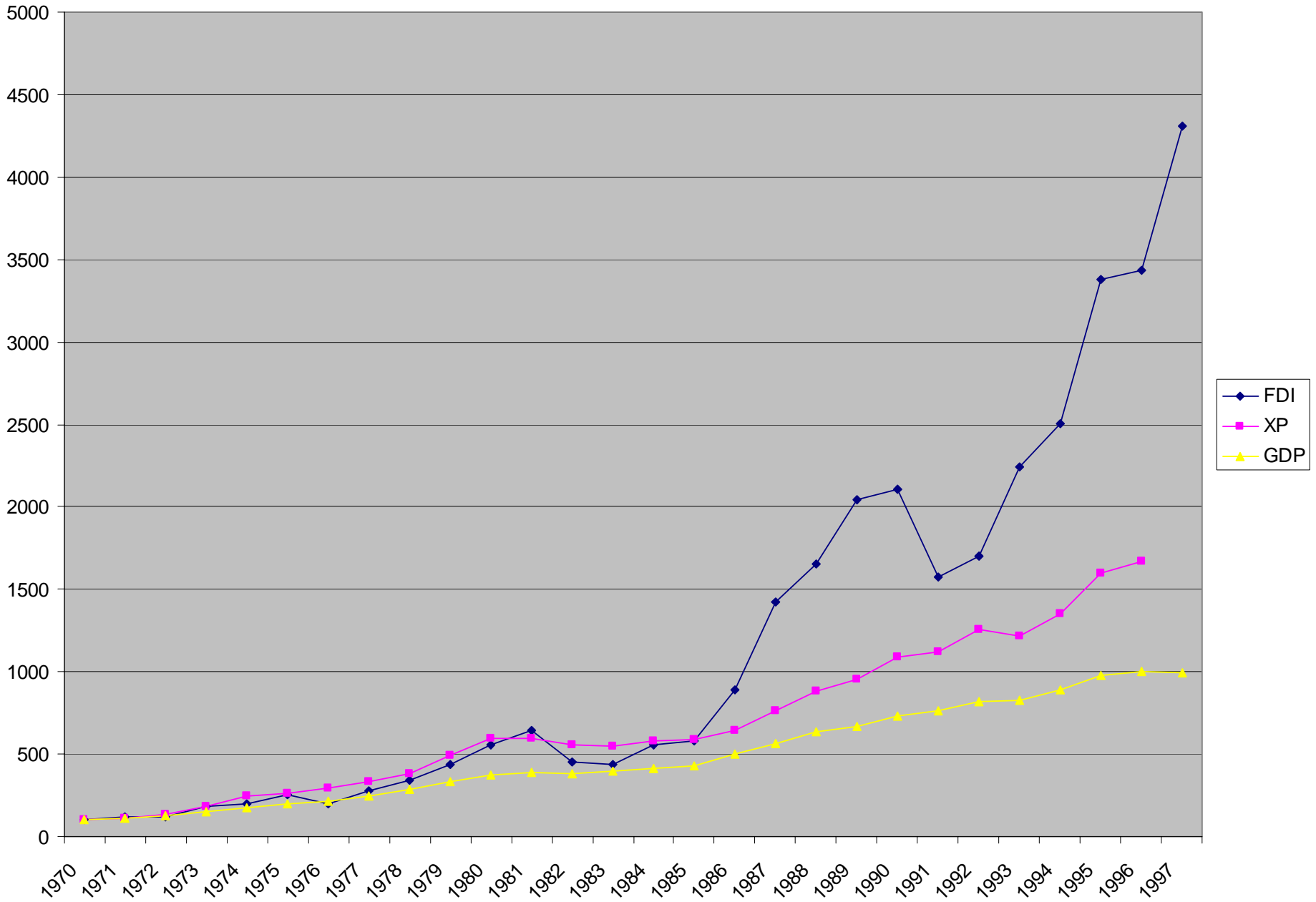
SLEEPLESS IN SEATTLE

“Modern industry has established the world market...All old established national industries have been destroyed or are daily being destroyed...In place of the old local and national seclusion and self-sufficiency, we have ...universal interdependence of nations.”

“The world economy has become so highly inter-dependent so as to make national independence an anachronism, especially in financial markets. This interdependence is being driven by science, technology and economics - the forces of modernity. These forces, not governments determine international relations.”

Norman Angell
The Great Illusion
1911

GLOBALIZATION



LIMITED SUPPORT FOR FREE TRADE AND GLOBALIZATION

- 58% of Americans believe that free trade is bad for US: cheap imports hurt wages
- 52% believe that the global economy will hurt average Americans
- 35% believe multinational corporations are a “major threat” to country’s future well being
- 74% say big companies have too much political influence

WHAT IS EVERYONE SO UPSET ABOUT?

- Countervailing power
- The market economy
- American dominance
- Loss of local control – democracy
- Them!

ASYMMETRY BETWEEN GEOGRAPHIC SPACE AND MARKET SPACE

- Markets electronically networked; ‘deep’ integration and interdependence
- *Autonomous* financial markets - size plus volatility
- Rising scale and risk of technology
- Market economy both borderless and non-geographic

POLITICS IS ROOTED IN GEOGRAPHY

- Tax jurisdiction
- The scene of the crime
- Whose securities law applies? Who gets to regulate the transaction?
- World of national markets and nation states

END OF GEOGRAPHY -- NOT THE END OF THE STATE!

- Nation states are not going to fade away
- But, national solutions are not going to work

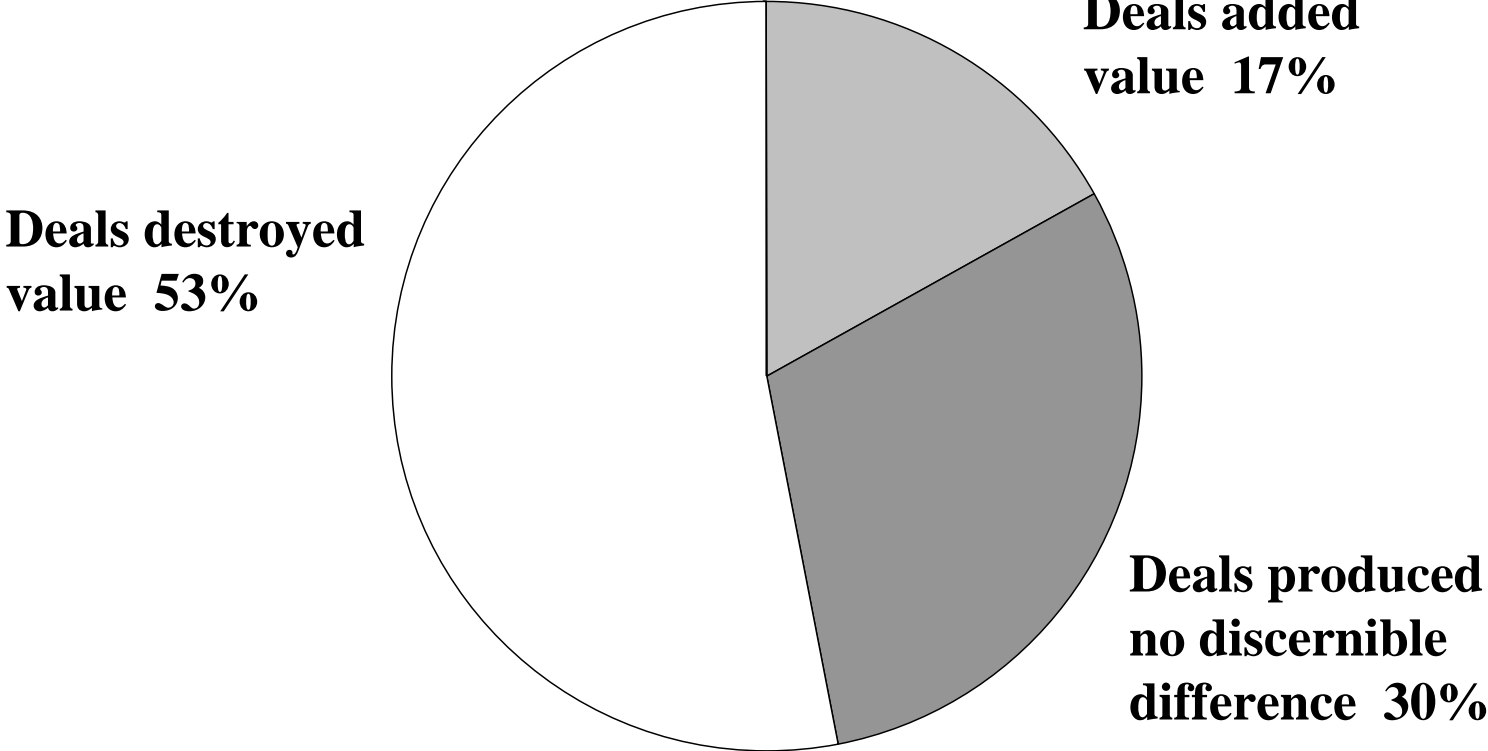
NEW WORLD, NEW RULES

TINA

- **FOUR SIMULTANEOUS BOOMS**
 - Mergers and acquisitions
 - Specialized foreign investments
 - Strategic alliances
 - Portfolio capital eroding margins on physical assets
- **ONE IMPERATIVE**
 - Management must create value through human systems

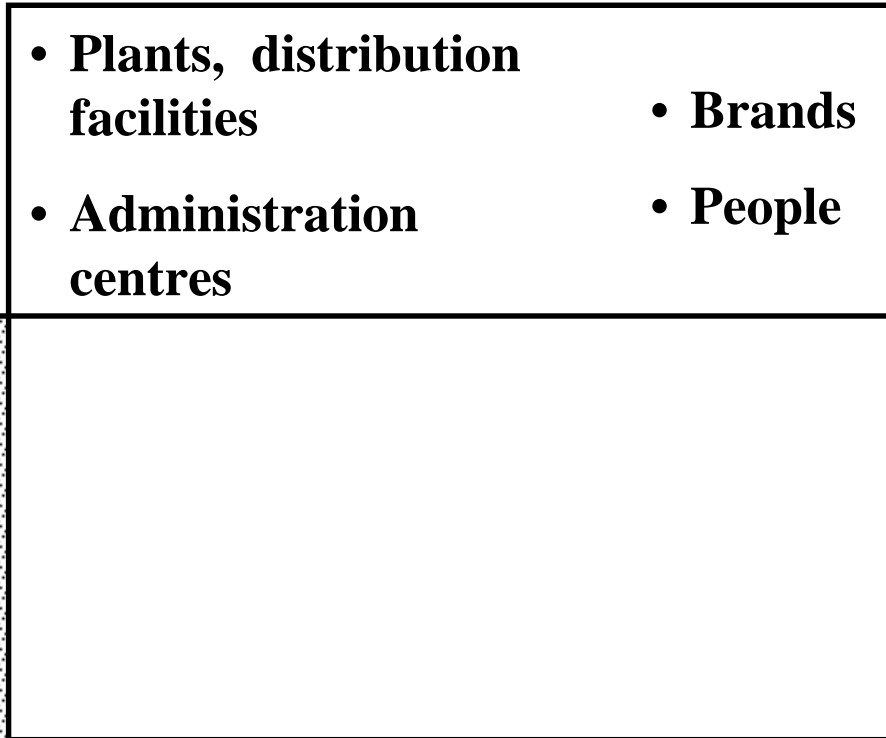
Borderline

Cross-border mergers, outcomes



Source: KPMG

ACQUISITIONS ARE LIKE ICEBERGS . . . YOU BUY WHAT YOU SEE



... AS WELL AS MANY THINGS YOU CAN'T SEE

- **A company culture**
- **Decision making process**
- **Informal systems**
- **Managerial styles**
- **Personal relationships**

MANAGEMENT MAKES A DIFFERENCE

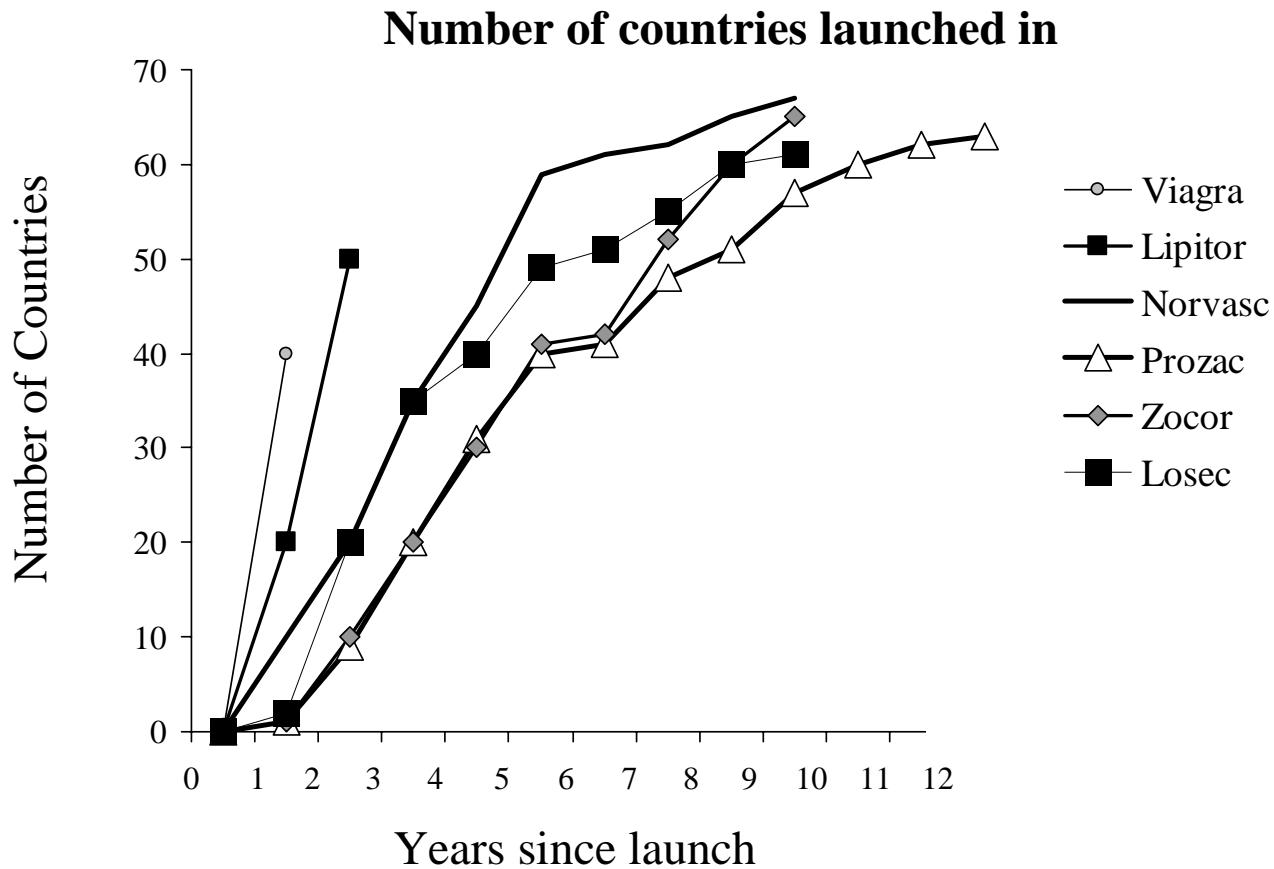
- **Apple**
- **Laura Ashley**
- **Nissan**
- **US Steel**
- **Westinghouse**
- **Microsoft**
- **Ralph Lauren**
- **VW**
- **Ispat**
- **GE**

HUMAN SYSTEMS DEPEND ON EMOTIONAL CAPITAL

a combination of:

- organizational and individual aspirations
- shared values
- continual innovation

INNOVATION - ACCELERATING GLOBALIZATION



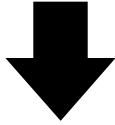
Source: IMS Health

ENERGIZE YOUR ORGANISATION

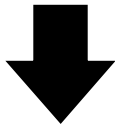
5 leadership challenges

- Can we build and nurture a *high-skill* organisation? How quickly?
- Can we create local *initiatives*, high *adaptability* and *efficiency* throughout the organisation - all simultaneously?
- How can we get individuals to *reach* for goals beyond their present competence?
- How to *ignite* and *sustain* the process?
- How must we change our role and behaviour as *leaders*?

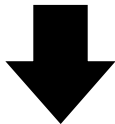
WHAT



MISSION



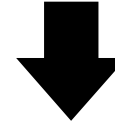
STRATEGY



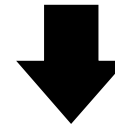
ACTION PLANS



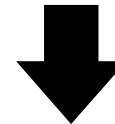
HOW



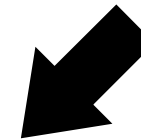
VALUES



**LEADERSHIP
PRACTICES**



BEHAVIOURS



PERFORMANCE

HARNESSING EMOTIONAL CAPITAL

MISSION MAKES A DIFFERENCE

“The job of leadership today is not *just* to make money ... it is to make meaning”
(John Seeley Brown, Xerox)

LEARNING MAKES YOU GROW

- create recognition for ideas
- listen to how organizational aspirations can tap into personal ones
- translate aspirations into measurable goals

PRIDE MAKES IT SPECIAL

“BALANCE” MAKES IT SUSTAINABLE

- recognise the home/work balance
- discipline AND creativity

INSTILLING ORGANISATIONAL VALUES

Who we are, not just what we want to achieve ...

At the end, people are loyal not to a particular boss or even to a company, but to a set of values they believe in and find satisfying

Goran Lindhal

ABB

INSTILLING VALUES

- Build on core values
 - Identify and retain the best of what you have, modify and enhance with focus and care
- Create a process of continuous reinforcement
 - Leadership is the message
- Operationalize and measure progress
 - Specify implications for behaviours and rewards

DISTRIBUTED LEADERSHIP

“None of us is as smart as all of us”

Warren Bennis in *Organizing Genius*

**“Those who can, do.
Those who excel, teach.”**

Tom Watson
CEO, omnicom

The Entrepreneurial Corporation

Some words on innovation

The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.

George Bernard Shaw

Man and Superman

IS THERE ANYTHING *REALLY* NEW?

The wicked leader is he whom the people despise.

The good leader is he whom the people revere.

The **great** leader is he of whom the people say,
“We did it ourselves”.

Adapted from Lao Tzu