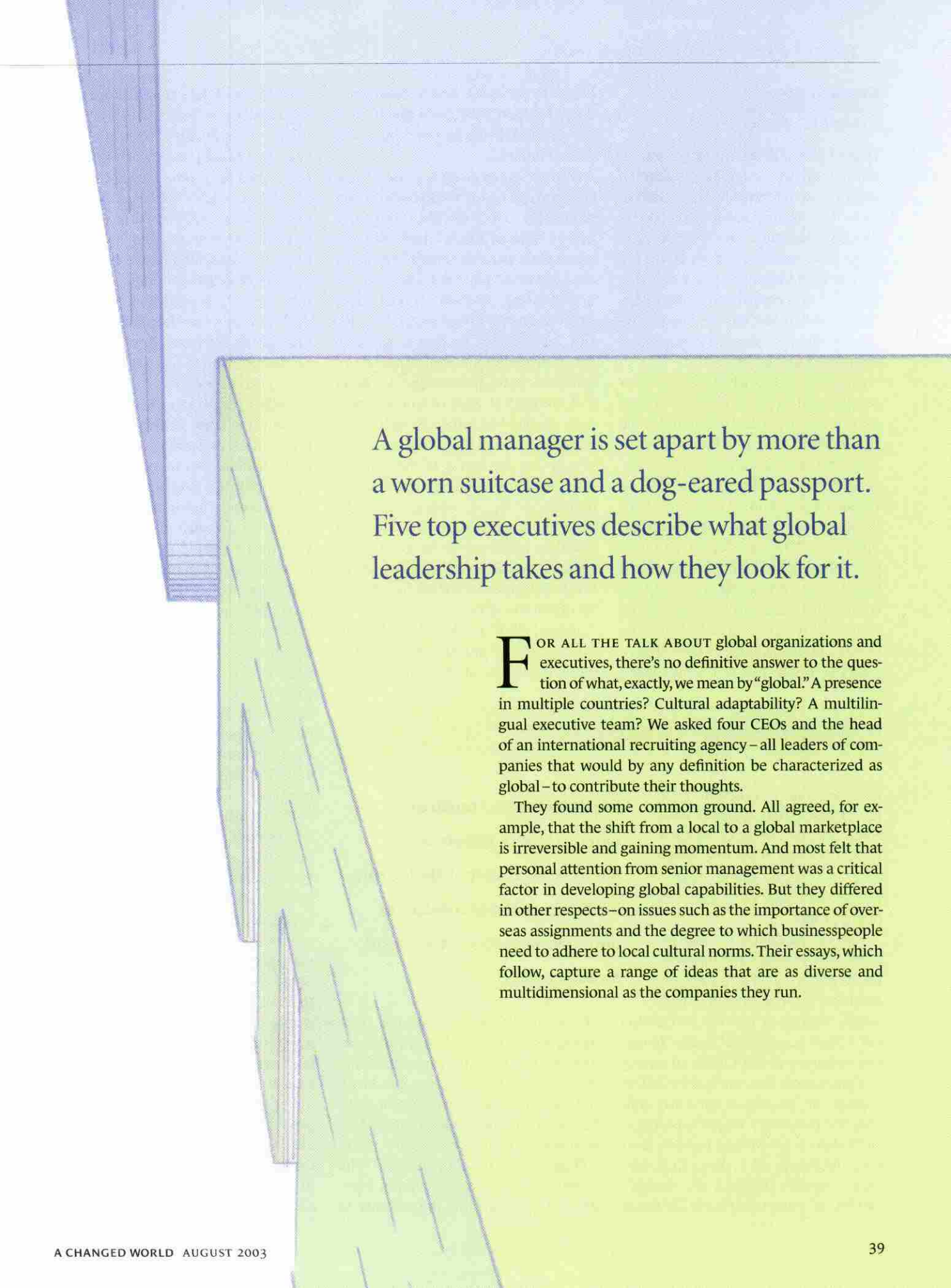




In Search of Global Leaders

Perspectives from

Stephen Green,
Fred Hassan,
Jeffrey Immelt,
Michael Marks,
and Daniel Meiland



A global manager is set apart by more than a worn suitcase and a dog-eared passport. Five top executives describe what global leadership takes and how they look for it.

FOR ALL THE TALK ABOUT global organizations and executives, there's no definitive answer to the question of what, exactly, we mean by "global." A presence in multiple countries? Cultural adaptability? A multilingual executive team? We asked four CEOs and the head of an international recruiting agency – all leaders of companies that would by any definition be characterized as global – to contribute their thoughts.

They found some common ground. All agreed, for example, that the shift from a local to a global marketplace is irreversible and gaining momentum. And most felt that personal attention from senior management was a critical factor in developing global capabilities. But they differed in other respects—on issues such as the importance of overseas assignments and the degree to which businesspeople need to adhere to local cultural norms. Their essays, which follow, capture a range of ideas that are as diverse and multidimensional as the companies they run.

Stephen Green

Group CEO, HSBC

When I joined HSBC in 1982, it was essentially an Asian company, although it did own 51% of Marine Midland Bank in New York. We had around 30,000 employees at that time, mostly English and Cantonese speakers. Today's HSBC is a very different organization, employing some 215,000 people across the globe. Of the United Nations' six official languages, our employees are very well represented in all but one.

We expanded mostly by means of acquisition, starting with the Midland Bank in the UK—a deal that doubled the size of HSBC, gave us a European presence, and broadened our range of services. Later, we also bought CCF in France. Outside Europe, our acquisitions included Bamerindus in Brazil, Grupo Financiero Bital in Mexico, and, this year, Household Finance in the United States. Today, our assets are evenly distributed between Europe, Asia, and the Americas. We are unusual among the world's largest banks in that significantly less than half our profits come

broadens the mind. And if travel alone does that, just think how much more you get from living and working in different countries.

Most of our recruits are recent university graduates. We tend not to go out of our way to look for MBAs or people in their thirties. In fact, I think it's a mistake for companies to have too much of their top talent join their organizations in mid-career. (Though I should admit that I was a mid-career recruit myself!) Our recruitment process is sophisticated, involving a complex process of tests, interviews, and exercises. We don't look so much at what or where people have studied but rather at their drive, initiative, cultural sensitivity, and readiness to see the world as their oyster. Whether they've studied classics, economics, history, or languages is irrelevant. What matter are the skills and qualities necessary to be good, well-rounded executives in a highly international institution operating in a diverse set of communities.

In fact, HSBC has long been famous for its cadre of global executives, formerly known as international officers.

work overseas. Take the chief operating officer of our UK business. He's a Welshman in his early fifties. Until about five years ago, he had never worked outside the United Kingdom—for his entire career, he had been a UK-based executive at the former Midland Bank. One day, he put his hand up and said, "I'm willing to go overseas," and so we made him country manager for India. He spent three years there and took to it like a duck to water, later becoming country manager for Malaysia, one of our biggest Southeast Asian businesses, before taking up his current job.

Twenty years ago, most of our top recruits came from British schools and universities, and today's top team reflects that bias. But we now have many able non-British managers in our ranks due to recent acquisitions. Today, we recruit at 68 universities worldwide, this year hiring people from 38 different countries, so that our team of the future will be much more representative of our geographic spread of businesses.

Because of our recruitment and development practices, many of our people have worked in multiple countries—some emerging, some developed—and in different sorts of businesses, from retail and wholesale to banking and insurance. These global employees act as a kind of organizational glue for the company.

The fact that they have all had those experiences also means that many of them have a great deal in common. A British manager with international experience will tend to identify more with a Japanese manager with international experience than he will with another manager who has worked in only her home country. But that doesn't mean that we're trying to develop identikit managers. Far from it. If, for example, my French colleagues lost their Frenchness or my Brazilian colleagues lost their Brazilian-ness, life would be a lot duller, and HSBC would be a lot less profitable. We prize our diversity. That's all part of the richness and fun of working together, and it's what makes us so creative and responsive to our clients' needs.

Stephen Green

from any one jurisdiction. Even the largest banks typically have three-quarters or more of their profits coming from one home base. In 2002, no single jurisdiction accounted for more than 40% of our profits.

Despite the enormous changes in its demographics and business, HSBC has retained a remarkably consistent corporate identity. That's largely because of the way we develop our senior management team. No one gets to the top at HSBC without having worked in more than one market. If you look at the executives currently running the company's largest businesses, all of them have worked in more than one, and nearly all in more than two, major country markets. We strongly believe, as many others do, that travel

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We now call them international managers, which sounds less militaristic. They are hired with the expectation that they will spend their entire careers with the institution and also be very mobile. But we don't limit our international development to these managers. HSBC will give any promising executive who expresses an interest in gaining international exposure the opportunity to

Fred Hassan

Chairman and CEO, Schering-Plough

In the 1960s and 1970s, conventional wisdom held that the way to create a global culture was to move employees around and place them in multiple cultures. But that system often didn't work very well; putting people in foreign settings doesn't automatically imbue new attitudes, and it is attitudes rather than experiences that make a culture global. Recruiting people with the "right" education or with foreign language skills doesn't guarantee that people have the right attitude either. I've met many people who speak three or four languages yet still have a very narrow view of the world. At the same time, I've come across people who speak only English but have a real passion and curiosity about the world and who are very effective in different cultures.

Having a global attitude is not the same as being able to imitate local styles. It's just as important for managers to be themselves. I spent 17 years working for a Swiss company as a U.S. resident. In the 1970s, it was considered forward in Switzerland to address people by their first names. But while I would address my superiors using their last names, with my peers and subordinates I followed the U.S. standard of using first names. People were okay with this because they knew I was not being false. Being yourself while also showing interest and openness is at the heart of a global attitude.

In the research-based pharmaceuticals industry, employees must have global attitudes if their companies are to survive. And in my new role leading Schering-Plough, I will focus on building those attitudes. Our industry is product driven. We have long lead times – it can take five to 15 years for a new product to be born. Individual product bets are into hundreds of millions, if not billions, of dollars. Once you've got an idea that's been turned into a product, you need to pay back the high cost of R&D, so you need to sell it around the world. Good ideas can come from anywhere,

and good products can be sold anywhere. The more places you are, the more ideas you will get. And the more ideas you get, the more places you can sell them and the more competitive you will be. Managing in many places requires a willingness to accept good ideas no matter where they come from – which means having a global attitude.

Creating a global attitude was at the heart of the turnaround I led as CEO of Pharmacia & Upjohn. When I joined the company in 1997, it had just gone through the very difficult merger of the U.S.-based Upjohn and the Sweden-based Pharmacia. It was difficult largely because of the serious disconnect between the two corporate cultures – not at all unusual when

agement. After the changes, Zyvox was approved and was rolled out in just 12 months in all three major drug markets. In the past at that company, you would have seen very little interest abroad, and even introducing it in one market would have taken years.

My experience with that change process convinced me that identifying and developing people with global attitudes requires personal involvement from the

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Fred Hassan

you bring together two large companies, especially if they're based in different countries. The cultural differences seriously undermined the newly merged company's ability to exploit its winning products. Our research labs in Kalamazoo, for example, had developed an excellent new antibiotic called Zyvox. But the drug was being ignored by many country managers in Europe because they lacked confidence in Kalamazoo's ability to do research.

We went through a big change process at Pharmacia & Upjohn to end that kind of thinking. We established new performance expectations that measured how well our employees demonstrated open-minded behaviors, including shared accountability, transparency, and collaboration across geographies. We called this behavior-based management and made it central to performance evaluation.

I invited executives to reflect on these new expectations and to decide whether they were on board. In the end, 12 of the top 20 executives were moved out of their positions. The others stayed on, and the team became very productive because its members all shared a strong commitment to behavior-based man-

top. The CEO has to see himself as the chief developer of talent, no matter how large the company. In 2000, we merged Pharmacia & Upjohn with Monsanto to create Pharmacia Corporation, a company with about 43,000 employees worldwide. I made it my business to know that large organization's top 200 managers personally – I don't mean the top 200 according to hierarchy, but according to their potential and the degree to which they contributed to the company's goals. Some of these people were quite junior, but I tried to know who they were, what their strengths and weaknesses were, and I looked at their performance evaluations. In my last six months there, I had one-on-one meetings with approximately half of these people.

I also like to be on the front lines to observe how people are working. When I go to a sales meeting, I don't sit with the brass from headquarters; I sit with sales reps. In 2000, I went to the American Society of Clinical Oncology meeting, the biggest oncology convention in the world. Typically only sales and marketing people attend; I was the only "big pharma" CEO there. All of this contact is time-consuming, but it allows me to

keep my ear to the ground, to overcome any hierarchical barriers.

Avon's Andrea Jung takes the same kind of personal approach to identifying and nurturing global talent. She keeps a close eye on high-potential managers even though they may be two or three or four levels below her, and she goes over the list at a private dinner once a year with the board. Her management team is graded not only on how it selects new managers but also on what it does to develop them as contributors to the global community. She's created a very powerful, very effective business culture in a truly global company, which has much of its sales outside North America. In the past, Avon was very decentralized and had many different cultures in different countries. But Andrea was able to strike a balance such that country managers are now very strong and very well plugged in to the local environment but also responsible for passing on best practices to their colleagues in other locations.

That's the essence of a global culture. The country is still important, and the local country manager is in charge and accountable, but he or she is part of a global network and feels a sense of belonging. I once met with some of Pharmacia's local sales reps in a remote town in China. I mentioned that we were rolling out a new stock option program to our sales representatives around the world, and I saw their eyes immediately light up. It wasn't the money or the stock that mattered to them as much as the knowledge that they were receiving some of the same incentives as our U.S. reps.

Jeffrey Immelt

**Chairman and CEO,
General Electric**

A good global company does three things. It's a global sales company – meaning it's number one with customers all over the world, whether in Chicago or Paris or Tokyo. It's a global products company, with technologies, factories, and products made for the world, not just for a single region. And

most important, it's a global people company – a company that keeps getting better by capturing global markets and brains.

How do you make all these things happen?

First, human resources has to be more than a department. GE recognized early on – 50 or 60 years ago – that in a multi-business company, the common denominators are people and culture. From an employee's first day at GE, she

discovers that she's in the people-development business as much as anything else. You'll find that most good companies have the same basic HR processes that we have, but they're discrete. HR at GE is not an agenda item; it is the agenda.

We run the company so that 300,000 people feel the chairman might enter their world at any time. I spend roughly 40% of my time on people issues; so do our other top leaders. I teach at the Learning Center in Crotonville three or four times a month. In the course of a year, I will review, in detail, five or six thousand internal résumés through a process we call Session C. During that session, I'm not locked in a room with executives; I'll see 300 people. And I like to spend time in the field with sales reps who've been identified as having high potential. A swing through Europe is filled with employee meetings – some hard-nosed business reviews, some big customer meetings with sales reps, and some meetings with factory teams. I try to reach down into the organization very hard, all the time. When I meet people who especially impress me, right away I call our HR director Bill Conaty and say, "I want these three people to get a double dip of stock options." The recognition and reinforcement are immediate. As soon as someone rewards them for their talents, these star performers begin to aim even higher.

Second, we devote a lot of time and energy to building up personal networks. This is a big company in a big world. You can't be a lone ranger and also be a global manager. We spend \$1 billion on training, which has the most important benefit of connecting people across the company. We also move people around a lot, for the same reason. When I meet someone, I don't quiz him to see if he can do the job; I expect that. I don't look for smoothness.

Jeffrey Immelt

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I don't look for "GE-isms." I look for a person with a great instinctive feel for his market, his business, and his subordinates. I always ask people about their teams. I want people who bring other people with them. When I do a Session C, half the grade I give is to the individuals and half is to their team. I ask, "Who's in your wallet?" I want to see who's in their family, who they brought with them in their career. Some people's wallets have no pictures. Some can pull out a whole family album. That is extremely important.

Third, the culture needs to be performance oriented. Without a meritocracy, you get cronyism and homogeneity rather than a culture open and broad enough to get the best from everybody. We're still too homogeneous, but we've made a lot of progress. When I first joined General Electric, globalization meant training the Americans to be global thinkers. So Americans got the expat assignments. We still have many Americans living around the world and that's good, but we shifted our emphasis in the late 1990s to getting overseas

assignments for non-Americans. Now you see non-Americans doing new jobs, big jobs, important jobs at every level and in every country.

A lot of people have said that GE could be more global by moving its headquarters overseas—for example, by moving its medical systems business from Milwaukee to Paris. That's a relic of the strategy of making Americans more global. It's more important to find the best people, wherever they may be, and develop them so that they can lead big businesses, wherever those may be. It's truly about people, not about where the buildings are. You've got to develop people so they are prepared for leadership jobs and then promote them. That's the most effective way to become more global.

The ultimate evidence that a business has become a global people company is the talent it attracts; it matters to us that we get the best talent. We try very hard to provide a company, a set of values, and a culture that employees can be proud of, whether it be in Pittsfield, Paris, Shanghai, or London. We still don't get all the talent we want. In Germany, for instance, we sometimes lose the best talent to Siemens. I go to Germany every time I'm in Europe. I give talks at universities and try to convince people that GE is a better company with more career opportunities. Twenty years ago in Japan, we found it almost impossible to hire people. If a top student told his parents he was going to work for GE, they would just about disown him.

That's changed. The business community has gone global, and it can't go back. Career decisions are no longer based on nationalism. The last time I was in Europe, I visited Insead. These young people want to work for GE—or Citigroup or Goldman Sachs; they don't say, "It's only Siemens for me." I can now recruit great people in Japan. Lee Scott, the CEO of Wal-Mart, tells me his big challenge today is globalization. If he wants to keep growing at the rate he desires, he has to go to Europe, China, and so on. And that's Wal-Mart, good old American Wal-Mart.

Michael Marks **CEO, Flextronics**

About ten years ago, right after NAFTA took effect, I had the idea of locating a Flextronics manufacturing plant in Mexico. I clearly remember people saying to me, "Don't do it. That's a siesta culture," implying that any labor or other cost savings to be gained there would be offset by the workers' laziness. I made a trip anyway and checked out three factories, one making cables for the auto industry, one making toasters, and one doing electronic assembly. I came away thinking, "It's not humanly possible to work harder than these people or to produce products faster than this." We built a plant near Guadalajara in 1997, and within five years, its revenues grew to more than \$1 billion.

I tell the story because it underscores the corrosive effect of stereotypes and how they undermine good decision making in a business that needs to globalize. To me, the most important criterion for a business leader is that he or she be free of such strong biases. If I heard evidence of that kind of stereotyping in conversations with a job candidate, that would be a big red flag.

Michael Marks

Usually, of course, the stereotyping is more subtle. Managers often pick up the impression that the Chinese are good at this, the Germans are good at that, and so on. But I have learned that in every place we operate, in every country, the people want to do a good job. They simply need training. If you show people, for instance, what great manufacturing is, they will work toward it—and I have found that there is no place where people can't do a world-class job.

This isn't to say that we approach every region with a cookie-cutter uniformity. We may need to train workers differently in different parts of the

world. We discovered this early on in Guadalajara because the demographics of Mexico are very young—a large percentage of the workforce is under the age of 35. The contrast with Japan, a company with a relatively old workforce, is striking. Training becomes a different proposition when you cannot rely on tacit knowledge transfer from seasoned 50 year olds to greener 30 year olds. Mexico might require a more intense training regimen or a longer time commitment.

Running a global company also means learning how different countries are governed and being able to work

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with their leaders. This is particularly true for a manufacturer like Flextronics, because most countries, whether developing and developed, tend to want the manufacturing jobs we have to offer. As a consequence, we must be in frequent contact with senior government officials, addressing issues like tax holidays and dollars for training. Consider an issue that the head of our European operation is currently dealing with. A few years back, the Hungarian government agreed to give us a ten-year tax holiday as the result of a \$50 million capital investment there. The problem is, Hungary is now trying to gain admittance to the European Union, which won't

allow such tax holidays. What will we do about this? It will get worked out, but it's complicated. The head of European operations has to have the skills to deal with such high-level political issues—skills that don't develop in people automatically.

How do we choose leaders with the cultural breadth to conduct such negotiations—and to get past the kind of stereotypes I discussed earlier? The most capable executives I've known have traveled extensively, learned other languages, and have often been educated abroad. But most of them gained their broad perspectives in the course of their work. Flextronics' top management team orchestrates manufacturing activity in 28 different countries and leads sales operations worldwide. The peer group includes a CFO from New Zealand, a CTO from Grenada, a sales executive from Ireland, and business unit heads from Sweden, Great Britain, India, Singapore, and Hong Kong. It's hard to work in such an environment and remain provincial in your outlook.

Increasingly, though, we are seeing that our more junior executives have this kind of multicultural exposure as part of their upbringing. Today's 30-year-olds grew up in a different world from their parents', with much greater ease of travel, more education abroad, and technologies like the Internet and cell phones affording more lines of global communication. Dream résumés that show, say, an upbringing in Paris, a Harvard MBA, and summer internships in Japan are becoming more and more common among young job applicants.

As a result, there is much more uniformity among young managers around the world. Imagine pulling together 30 people from 30 different countries, all in their thirties. Chances are, they would all interact quite easily—and that isn't because young people tend to be fairly open-minded. It's because there's been a major shift in thinking from the last generation. And that shift will make the task of developing global leaders easier with each passing year. In another two decades, an American is not going to stop to consider that he is dealing with

someone from Japan. A strong leader will be just that—a strong leader—whether Brazilian or Malaysian. The global part of leadership will be a given.

Daniel Meiland
Executive Chairman,
Egon Zehnder International

The world is getting smaller, and markets are getting bigger. In my more than 25 years in the executive search profession, we've always talked about the global executive, but the need to find managers who can be effective in many different settings is growing ever more urgent. In addition to looking for intelligence, specific skills, and technical

Daniel Meiland

insights, companies are also looking for executives who are comfortable on the world stage.

And yet we have a lot to learn. Over the years, about half of our big searches have been for people with truly international experience, but in only a small fraction of those cases did we end up hiring foreigners to the country where an organization was based. Many companies haven't been all that successful at developing global executives from within either. The intentions are good, but the fact is, practice hasn't caught up with intent.

One problem is that many companies still believe the best way to help managers develop a global mind-set is to put them in positions in other countries. But that hasn't been very effective, primarily because companies station people abroad and then forget about them. If anything, advancement is even more difficult for the expat when he returns to headquarters, having missed out on opportunities to network with top management. Also, many people have reasons for not wanting to hop from location to location. For one, it's easier to develop client relationships if you stay

in one place for an extended period of time. Those client relationships can be very important when it comes to getting promoted.

The companies that do handle these rotations well—Shell and General Electric come to mind—track their people carefully over the course of many years. GE has systems for examining people's work histories and designing their next steps toward becoming global leaders. And Shell has done a particularly good job of giving people not only major responsibilities abroad but also great opportunities for advancement when they return. Another example is McKinsey consulting, which in 1994 elected Rajat Gupta as the first non-American to run

“Many companies still believe the best way to help managers develop a global mind-set is to put them in positions in other countries. But that hasn't been very effective, primarily because companies station people abroad and then forget about them.”

the firm. Gupta is a truly global executive and has shown a great deal of cultural sensitivity.

Cultural sensitivity doesn't always come naturally, so developing global executives often requires helping people to see their own biases. Many years ago, when I first started at Egon Zehnder International, I was working on an assignment in the greater China area, and I criticized a team member directly for the way he handled a project. I was told later that in China it's not good to criticize someone face-to-face; it ends up being counterproductive, and there

