



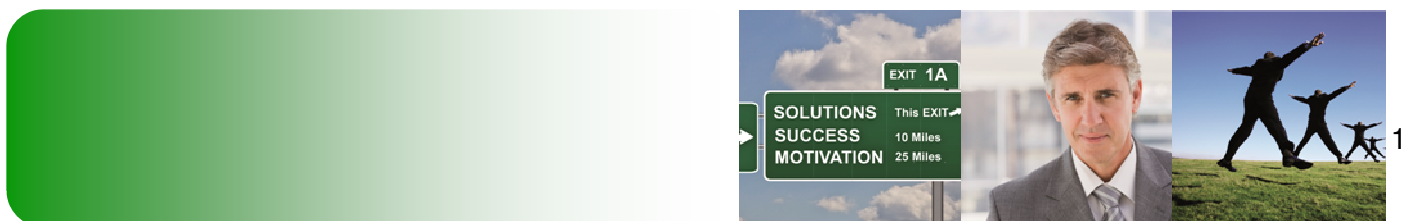
The Interaction Ruler

Developing International Capability by Capitalizing on Corporate Culture and Intercultural Synergies

In today's global environment, it is important to make a careful internal assessment that can help leaders adopt and execute effective strategies. The interaction ruler is a methodology that can play an important role in assessing the cultural context and guiding the alignment of strategies to organizational realities. In effect, it is a pragmatic tool for organizational diagnostics and strategic planning. This methodology takes corporate and local cultures into consideration and allows leaders to craft optimal organizational development and business strategies.

Author: **Jan I. Carlsson**, Advisory Member

Date: 27/09/2012

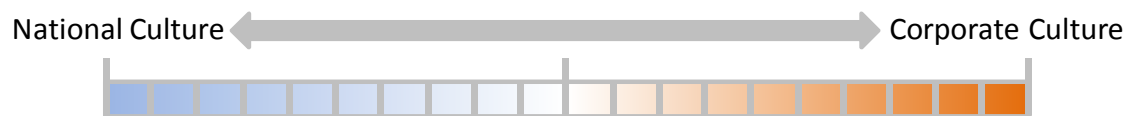


Company cultures can create a competitive edge by deviating from the majority norms in the "right" way. International companies can take advantage of this by creating a hybrid culture in each local company, combining the best elements of the national culture with the best elements of the corporate culture. A simple model called "the Interaction Ruler" illustrates the idea behind this approach.

I developed this cultural diagnostic approach over an international career spanning more than 30 years with Unilever, Tetra Pak and IKEA. In Tetra Pak we improved our competitive advantage and performance in several countries by using the Interaction Ruler.

"In each country in which it operates, an organization can make a deliberate choice as to where it wants to position itself on the Interaction Ruler in order to be as competitive and efficient as possible."

The Interaction Ruler



In each country in which it operates, an organization can make a deliberate choice as to where it wants to position itself on the Interaction Ruler in order to be as competitive and efficient as possible. On the one extreme we can take the decision that we want to adjust completely to the national culture of the host country and work according to the principle "when in Rome do as the Romans do." On the other hand we can take the approach that we want to export our corporate culture and apply it completely and work according to the motto "this is our way everywhere". I am convinced that for every company in every country at every point in time there is an optimal position on the Interaction Ruler where the company is most competitive. This position is in most cases somewhere between the two extremes of a complete commitment to either national or corporate culture.

The term Interaction Ruler is used because we are working with an interaction between

two cultures and because a ruler is both a measuring device and a guide to behaviour.

The process/method

Before the visit to the country concerned, it is important to study the culture of the country by reading about it in studies made by Hofstede, Trompenaars and others and combining these insights with observations from previous visits to the country. This is done to get an initial understanding of the core values of this country. To deepen and validate our understanding of the culture the following process can be followed:

- ✓ Interview at least 15 people at different levels in the organisation, using the Interaction checklist. Key questions are: Where do you think that we are today? Where should we be in the future? ... to be as successful as possible?
- ✓ Meet customers and interview them about how they see the company and what they expect from it.
- ✓ Analyze the input by making a preliminary report describing where we are (A), where we want to be (B), and recommend what we should do to go from A to B.
- ✓ Then present the findings to the local management team to get their input and agreement on where to position the company on the Interaction ruler and what to do to get to the desired position.
- ✓ Based on this we develop the right mixture and balance between the two cultures.

- ✓ The next step is to reconcile dilemmas and create synergies.
- ✓ Describe and articulate the agreed values and the culture you want to have in this company.
- ✓ Translate these statements into behaviours.
- ✓ Support and follow up!

Analyse both cultures

When starting to work towards a decision on where to position ourselves in a specific country it is important to analyse both the national culture and the corporate culture and identify the core values in both cultures. These are the values, which we should not give up regardless of where we want to position ourselves on the ruler.

Review factors

We then have to analyse the internal or company specific factors which influence where we should position ourselves on the ruler. Some examples of these factors are: business objective and strategy, human resources strategy, customers' expectations, strength of the corporate culture and age of the subsidiary.

Let us take IKEA as an example:

- The concept specifies that the product range should give a Swedish profile.
- The customers expect to experience a Swedish style store and products.
- The HR strategy has been based on the idea that Swedish expatriates export the IKEA concept and culture.
- There is a very high degree of centralization of product development and purchasing.
- The employees have joined IKEA because it is different from the local companies in their home country.
- The corporate culture is very strong and linked to the business idea and the concept.

All these factors mean that IKEA in general is more successful when it exports its Swedish based culture and positions the local organisations on the right hand side of the Interaction ruler.

The Swedish ball bearing company, SKF is generally trying to adapt to the national cultures in the countries where they operate. An example of this is that many people in Schweinfurter, Germany believe that SKF stands for Schweinfurter Kullager Fabrik.

This means that SKF is generally positioned much closer to the national culture than IKEA is.

Tetra Pak – is somewhere in between IKEA and SKF but generally more on the side of the corporate culture, but not as far as IKEA.

Analyse external and country factors

The next step in the process is to analyse the external and country specific factors, which influence our positioning on the Interaction Ruler. Some examples of these factors are: availability of good local managers, attraction of foreign companies to locals, degree of industrialisation, commonality of values and strength and pride in the national business culture, as well as political factors.

Availability of good local managers

For instance, in Saudi Arabia it is not very easy to find good local managers who are willing to work for international companies. Hence, there is usually a need to rely on expatriate managers and makes it more difficult for international companies to position themselves close to the national side of the Ruler.

Degree of Industrialization and strength and pride of the national business culture

In developing countries we normally find a stronger tendency toward a dominant corporate culture. Whereas in France and the U.S.A. where there is a high level of strength and pride in the national business

“When starting to work towards a decision on where to position ourselves in a specific country it is important to analyse both the national culture and the corporate culture and identify the core values in both of them.”

“When we have decided where we want to be positioned on the Ruler we have to agree on which strategy to use to take us to this

culture, it is rather difficult for an international company to be successful on the corporate side of the Ruler as we have seen both in Tetra Pak and in IKEA.

Commonality of values

Even if there are big differences between the Swedish based Tetra Pak culture and the Japanese business culture, we found enough commonality of values to make it possible to build a successful culture in Tetra Pak Japan, which is positioned close to the middle of the Interaction Ruler.

Political factors

Limitations and restrictions on the use of expatriate managers tends to pull in the, direction of the national side of the Ruler.

Strategies

When we have decided where we want to be positioned on the Ruler we have to agree on which strategy to use to take us to this point. This strategy will of course be different depending on whether we want to be closer to the national or to the corporate end of the Ruler.

Strategy to get to positions close to the corporate culture

The number and type of Expatriates

If we want to be positioned on the corporate side of the Ruler we will probably need several expatriates at senior levels in the organisation, especially during the first years of operation in the country. Their role will be to transfer the corporate culture into the country of operation. They will therefore have to be good teachers and role models for the locally employed staff and should therefore be selected and trained so that they can live up to these expectations.

Recruitment of local Managers

It is important to recruit local managers and staff that have the type of personality and values we believe will fit into the corporate culture. In many cases it can therefore be

an advantage if they have been exposed to foreign cultures previously.

Training

It is vital to train local managers and key staff to understand how to act and behave in this culture. It is therefore often wise to train them in the home country of the corporation so that they get opportunities to experience the corporate culture, in addition to learning specific technical skills

Leadership and communication

When we want to position our company on the corporate side of the Ruler most of the style and behaviour of the leaders should be in harmony with the leadership and communication style in the home country of the corporation.

Organisation structure, performance appraisals, remuneration and other policies

Also here we can apply most of the policies and practices from the home country of the corporation.

Offices and factories

When we want to position our company on the corporate side of the Ruler, it helps to send a message to the staff, clients and others by building and equipping offices and factories in the same style and standard as in the home country of the corporation.

Suppliers and consultants

In this situation it may be an advantage to select suppliers and consultants who are working with the corporation in the home country and who know the culture and standards of the corporation.

Strategy to get to positions close to the national/local culture

The number and types of expatriates

If we have decided that we want to be positioned on the national side of the Interaction Ruler we will not need so many expatriates. The role of the expatriates in this case is primarily to transfer technical skills and competences and not to transfer the corporate culture to the subsidiary. The

“By working with the Interaction Ruler we can in every country find the best balance between the Corporate needs of consistency, commonality and connectedness and the National/Local needs of flexibility, responsiveness and uniqueness.”

expatriates that we employ are more likely to be placed in specialist positions than in top management.

Recruitment of local managers

The local managers that we select should be good leaders in the context of the national culture and not be motivated to join the company because they are attracted by the culture in the home country of the corporation.

Training

In this case it is best to arrange the majority of training and development activities in the country in which the company operates.

Leadership and communication

When we position ourselves on the national side of the Ruler we should adapt to the leadership and communication style of the host country. However, we must always take care that we live up to the core values of the corporation.

Organisation structure, performance appraisals, remuneration and other policies

Also in these areas we should apply what is good practice in the host country unless this would violate any of the core values of the corporation.

Offices and factories

In this case we are most efficient if we build offices and factories in the same style and standard as is common in the host country.

Suppliers and consultants

Use local suppliers and consultants as far as possible.

By working with the Interaction Ruler we can in every country find an optimal balance between the corporate needs of consistency, commonality and connectedness and the National-Local needs of flexibility, responsiveness and uniqueness. In this way we can become a truly transnational company and achieve a competitive advantage.

It is often said that the key to success in international business is to: Think global and act local. The idea behind The Interaction Ruler is to:

Think global and act local!

About the author:

Jan I. Carlsson is an Optimis Advisory Board member since 2010 and is an accomplished HR executive. He has served as a senior HR executive or member of the board for several large organizations such as Tetra Pak, Ikea, HSBC, Unilever and IMD for the last 20 years.





Rte de la Gare 17, CH – 1026 Echandens, Switzerland
 Tel : +41 21 701 9121, Fax : +41 21 701 9120
info@optimis-hcm.com
www.optimis-hcm.com

