



Stephen Ledwidge

Transforming Giants

What kind of company makes it its business to make the world a better place?

by **Rosabeth Moss Kanter**

WHAT ENABLES A BIG BUSINESS TO BE AGILE? Not too long ago, most people would have called that question a contradiction in terms. The common perception was that profit-seeking behemoths were dysfunctional. They were written off as lumbering, inflexible, reactive, and inherently bureaucratic – as systems so closed they had lost the ability to see the problems in the world around them, let alone be part of the solutions. Yet talk to the leaders of some of the world's biggest companies today, and you hear a different story. They're claiming new abilities to shift organizational gears

on a global basis and produce meaningful innovations quickly.

To discover the truth behind these claims, I assembled a research team and ventured deep inside a dozen such giants. After two years of visiting their operations – a process that comprised more than 350 interviews on five continents – I am convinced that the transformation these leaders describe is real. Companies such as IBM, Procter & Gamble, Omron, CEMEX, Cisco, and Banco Real are moving as rapidly and creatively as much smaller enterprises,

ing. But now it is happening with dramatic effects.

In this article I will set forth the pillars of this new model of big business – what IBM CEO Sam Palmisano calls the “globally integrated enterprise.” I will outline the benefits that accrue to the companies that have those pillars in place, which go beyond innovation to include a whole host of mutually reinforcing effects. I will identify the various mechanisms that have helped these giants establish and maintain high standards world-

for HIV-AIDS, heart disease, and cancer. Grid computing enables the aggregation of individual PCs’ power through a network, providing the information processing necessary for big, ambitious research. As soon as IBM had perfected the technology, it created a nonprofit partnership, World Community Grid (WCG), through which any organization or individual can donate unused computing power to research projects and see what is being done with the donation in real time. Through WCG, IBM gains an inspiring showcase for its new technology, helps business partners connect with the company in a positive way, and gives individuals anywhere in the world the chance to contribute to something big. In São Paulo, Brazil, as I talked with an executive of IBM Latin America, he proudly pointed to the action on the ThinkPad behind his office desk, which was at that moment processing data for a WCG cancer research project.

When giants transform themselves from impersonal machines into human communities, they can transform the world.

even while taking on social and environmental challenges of a scale only large entities could attempt – and they are bringing small and midsize businesses with them on the journey.

The key, I’ve concluded, is that a decisive shift is occurring in what might be called the guidance systems of these global giants. Employees once acted mainly according to rules and decisions handed down to them, but they now draw heavily on their shared understanding of mission and on a set of tools available everywhere at once. They more readily think about the meaning of what they do in terms of the wider world and include external partners in the extended family. Authority is still exercised and activities are still coordinated – but thanks to common platforms, standardized processes, and, above all, widely shared values and standards, coherence now arises more spontaneously. This shift is often heralded, and in most of these companies it has been a long time com-

wide – and can help other companies do the same. Replicating the conditions that are emerging at the most progressive megacorporations will not be easy. But if others follow their lead, soon this new paradigm of capitalism could be viewed as not only a competitive necessity but also a benefit to society. When giants transform themselves from impersonal machines into human communities, they gain the ability to transform the world around them in very positive ways.

I recognize that it has become very fashionable in corporate circles to talk about values, and often there is little behind that talk. However, for the vanguard companies we studied, values truly are a primary consideration. They help the companies find business opportunities and motivate both employees and partners.

At IBM, even before the full rollout of grid computing to commercial customers, the company gave away the technology to scientists searching for cures

Shared Values, Principles, and Platforms

To compete effectively, large corporations must respond quickly and creatively to opportunities wherever they arise, and yet have those dispersed activities add up to a unified purpose and accomplishment. The companies that meet this challenge rely in part on clear standards and disciplines, including, at the most basic level, standardized processes.

Consider the “CEMEX Way.” Around 2000, the Mexico-headquartered global cement company CEMEX launched this companywide program to identify and disseminate best practices and standardize business processes globally using IT platforms. The point was to foster sameness in areas where sameness would make life easier. In every one of the company’s plants, for example, pipes carrying natural gas were painted one color, and pipes containing air were painted another color. This made it simple for transferring employees or visiting managers not to waste

Rosabeth Moss Kanter (rkanter@hbs.edu) is the Ernest L. Arbuckle Professor of Business Administration at Harvard Business School in Boston. Her latest book is *America the Principled* (Crown, 2007). She was the editor of HBR from 1989 to 1992.

time upon their arrival figuring out the setup. The same logic followed for other plant configuration systems, financial recording systems, requisition systems, and so forth.

Standardization does not mean that no enhancements can be made. People at CEMEX are encouraged to recommend improvements. If a change is piloted in one plant setting and proves effective, the new practice is immediately rolled out worldwide. Even when a change is not mandated, a novel approach can be disseminated thanks to web-based information sharing. An oft-cited example is how a successful initiative in the United States to substitute alternative fuels for petroleum coke was quickly adopted elsewhere.

Standardized management practices and technologies in companies are the equivalent of infrastructure in cities: They allow people to stop wasting energy on basic activities and instead focus on higher-order concerns. But providing a platform on which creative people can build is only half the battle. What's also required is a shared set of values to guide their choices and actions.

Values turn out to be the key ingredient in the most vibrant and successful of today's multinationals. I refer not to the printing of wallet cards but to the serious nurturing of values in hearts and minds. Once people agree on what they respect and aspire to, they can make decisions independently and not work at cross-purposes. When they team up on a project, they communicate and collaborate efficiently, even despite great differences in backgrounds and cultural traditions, because they have a strong sense of business purpose and company identity.

At Procter & Gamble, the values and standards captured in the company's statement of purpose, values, and prin-



ciples (known as the PVP) enable managers in diverse locations to respond quickly and effectively to business opportunities or crises. P&G's purpose, the PVP says, is to "improve the lives of the world's consumers" with high-quality products that represent good value. The list of company values underscores the importance of leadership, ownership, integrity, passion for winning, and trust. The statement has eight principles describing how the company chooses to compete. In talking with P&G managers around the world about their operations, my research team and I heard the PVP invoked repeatedly. A developing-country manager said, "We all want the same thing: what will delight the customer and improve her or his life. To do that, we must treat our people as valued assets."

Likewise, at IBM, three simple sentences about customers, world-improving innovation, respect, and responsibility were repeated everywhere we visited and in meetings I had as a senior adviser to the company. Those values were credited with clarifying decisions and cutting through internal politics. Some of this potency may come from the participatory process by which the three sentences were crafted – a three-day chat session on the Web in 2003 called the Values Jam, in which all the employees could contribute thoughts. (See "Leading Change When Business Is Good," HBR December 2004.)

A strong backbone of shared values has always been a strength of some companies. IBM's twenty-first-century values are a reinvention of values laid down almost a hundred years ago;

Omron, a global electronics company headquartered in Japan, identified its core principles in the 1950s. But in the age of globalization, values and principles take on even greater importance, and the vanguard companies we studied have recently redoubled their efforts to bring them front and center.

Shortly after CEMEX's first series of acquisitions outside its home region, in the mid-1990s, the company's leaders articulated core values of collaboration, integrity, and leadership and added a set of standards for behavior that employees were required to sign. The company soon learned to appreciate the challenge of upholding those values in parts of the world with very different ethical standards and social norms. In 1999, for example, CEMEX bought a state-owned enterprise in Egypt and found that obtaining and renewing access to rock quarries there – a necessity

IBM has taken on in recent years, building on its work to digitize the treasures of the State Hermitage Museum in Saint Petersburg, Russia.

The company's Cairo Technology Development Center prides itself on having world-class engineers (all Egyptian, many of them women). It competes for business globally and wins its share: A recent project for Sony in Hollywood, for example, was handled from Cairo. Aware of their colleagues' work for the Hermitage Museum, and knowing that preserving Egypt's cultural heritage was a government priority, leaders at IBM Egypt proposed a project called Eternal Egypt. It would involve partnering with the Egyptian government's Center for Documentation of Cultural and Natural Heritage and the Ministry of Communications and Information Technology to digitize not only the contents of a museum but also ancient

which will go Eternal Egypt one better by including a virtual tour.

The Eternal Egypt model is an important example, because it demonstrates the true global integration of a company. Innovations do not simply emanate from the home country and radiate outward. They emanate from many places. Know-how is transferred to and from emerging and developed countries through a web of global connections.

Sometimes companies achieve collaboration by bringing people from diverse backgrounds together physically. CEMEX is especially adept at getting people to the problem and gaining speed in the process – for example, seconding large numbers of experienced people to newly acquired operations to work on postmerger integration teams for periods of a few months to a few years. This encourages every manager to train replacements, even if the replacement will be temporary. It ensures deep bench strength, as there are always people well schooled in the CEMEX Way ready to mentor others.

Common values and standards allow people at the front lines to make consistent decisions, even under pressure.

for cement companies – traditionally involved offering gifts to the people in charge. That was in clear violation of CEMEX's standards, and local employees initially doubted that the company would succeed without compromising them. Indeed, it took a year and a half rather than the usual month, but eventually CEMEX obtained the approval. Today, the story is often retold in situations where there appears to be a conflict between the company's standards and business objectives.

Getting Close at a Distance

The payoff for companies that have embedded values and principles in their guidance systems comes in many forms. The first benefit is integration, which permits collaboration among diverse people. This has clearly occurred in a series of national cultural projects

structures such as the pyramids, so that they could be viewed in detail, virtually.

Technological innovation was required. In particular, the project demanded new high-resolution scanning technology for three-dimensional objects, which called for an exchange of ideas with IBM engineers in the United States. For website design, the Cairo team got help from an IBM team in Chicago and experts at IBM's research labs in Haifa, Israel (despite political hostilities and religious differences between the countries). Eternal Egypt was launched to wide acclaim, particularly because of the importance of heritage-based tourism to Egypt's economic development. It also led to a commercial contract to digitize the contents of the Library of Alexandria. And most recently, it became a model for IBM China's Forbidden City project,

Empowerment in the Field

Common values and standards also allow people at the front lines to make consistent decisions, even under pressure and in the company's most culturally and geographically disparate locations. Among the leading-edge companies we examined, this was the most striking similarity, and sometimes the most difficult thing for outside observers to understand. A strong, broadly internalized guidance system obviates the need for controls that stress obedience and instead promotes autonomy.

Expressing values and standards in universal terms is not meant to inhibit differences. In fact, it helps people see how to meet particular customers' and communities' needs by adding localization to globalization. At P&G Brazil, leaders called this "tropicalizing." As a marketing executive told us: "The values and principles don't change, but we respect the local trade, the local consumer, the local organization."

That sentiment was echoed by the general manager of P&G's Near East unit, which has dual headquarters in Cairo and Beirut. "Whenever we're in a tough situation, we start looking at the principles of the company," he said, "because you will find in them the answer to the problem you're having." He faced just such a crisis when Lebanon was bombed in 2006. On the first day of the war, Near East executives conferred. "My team needed to make a decision: What do we need to do with the people in Beirut?" the manager told us. Together they drew from the PVP to agree on a principle of "people safety" first, followed by agility and determination to drive the business.

It may sound uncontroversial in retrospect and from afar, but consider that attending to people safety for employees and their families meant increasing the number of office locations in Lebanon from one to three (to reduce travel distance to work and incidentally conserve gas, which was scarce during the crisis). It also meant moving people who lived in the areas most affected to hotels. P&G offered all employees working in Lebanon (including Lebanese employees) evacuation to Egypt and housing there for their families and up to three extended family members. About half of the workforce moved. These decisions were made and action was taken before any official permission was requested from headquarters. As a result, P&G evacuated employee families faster than some countries moved diplomatic personnel. Although the evacuation cost a great deal, the decisions were supported by regional bosses in Switzerland and global headquarters in Cincinnati.

Innovating in Markets

Procter & Gamble is also responsive to the diverse needs of customers around the world. But if many top management teams would object to the kind of rogue action taken by P&G's Near East unit, just imagine how they would react to local ideas that present some

One Company's Return on Values

Imagine a developing country where workers like their beer and like it cheap – to the extent that alcohol use has become a serious public health problem. Now imagine you are the country manager there for a multinational corporation that profits by selling alcoholic beverages. Your goal is to gain more market share. Is this anywhere for values to hold sway?

Here's how the story played out in Kenya. UK-headquartered Diageo, the world's leading producer of premium alcoholic beverages, had entered the market with a large investment in East African Breweries but couldn't match the low price of its competition. That was because the competition was home brew, subject to no standards or inspections and sold out of garages. Illicit beer was downright dangerous in a country where water supplies are often contaminated – it was known to cause blindness as well as the intense hangovers and related illnesses that routinely lowered productivity in Kenya's labor-intensive industries. But it was popular because, with no government taxes added to its price, it offered the most sips for the shilling.

Diageo had the benefit of local talent with global thinking who could recognize the opportunity in the situation and seize it. (Over the years, the company encouraged members of the internationally educated African diaspora to return to Africa at expatriate pay rates.) Using Diageo's global resources, including a web-based innovation tool, the local team attacked the problem. Importantly, it put the focus on the best outcome for society and was therefore able to open lines of communication with the national government. The company proposed producing a low-cost beer and making it widely available, giving the buyers of illicit beer an alternative they would consider reasonable. The safer product would succeed, however, only if the government agreed to reduce the surtax on it, so the price would be truly comparable. The government, of course, had no interest in corporate charity, but it became clear that if more people bought legal beer, taxes would be collected on a greater proportion of the alcohol being consumed. A tax cut, therefore, was likely to yield higher tax revenue overall.

To make the new beer, now called Senator, widely available, Diageo needed to develop a new distribution channel: responsibly managed licensed pubs. The team talked to community leaders throughout Kenya to identify influential solid citizens, such as shopkeepers and sports club owners, who could set these pubs up. Diageo provided equipment and trained them in business operations, eventually establishing 3,000 new outlets.

The launch of Senator beer saw success on many fronts. Beyond the high market share it immediately claimed, Diageo received a prestigious award for contributing to reduced rates of blindness and increases in workplace productivity. Meanwhile, thousands of new small businesses flourished, and government policies started to change. The work was gratifying to Diageo managers both locally and internationally.

At the time of Diageo's formation in 1997 (by the merger of Guinness and Grand Metropolitan), its leaders had articulated the company's values and operating principles to emphasize both high global standards and local community responsibility. With that kind of guidance system in place, local decision makers – even in a "sin industry" – can have a transformative positive social impact.

Having It Both Ways

When do you know a paradigm is shifting? When long-standing contradictions begin to resolve. In the giants my research team and I studied, I was struck by the number of areas in which they achieved a balance between seemingly opposing goals.

- They both globalize and localize, deriving benefits from the intersections.
- They both standardize and innovate, endeavoring to prevent consistency from becoming stifling conformity.
- They foster a common universal culture but also respect for individual differences, seeking inclusion and diversity.
- They maintain control by letting go of it, trusting people educated in the shared values to do the right thing.
- They have a strong identity but also a strong reliance on partners, whom they collaborate with but do not control.
- They produce both business value and societal value.
- They bring together the “soft” areas (people, culture, and community responsibility) and the “hard” areas (technology and product innovation).
- They do not abandon values in a crisis; in fact, as leaders put them to the test, crises serve to strengthen commitment to values.

risk to the brand. This was the situation at P&G in the early 2000s, when it was struggling to grow its business in Brazil.

The company’s Brazilian marketing group knew its consumers well; in fact, it had gained a deep understanding of local women by using the kinds of market research tools and processes P&G uses globally. Based on that knowledge, it claimed that the company’s Always feminine hygiene product could not succeed at its current price point. A better offering, these marketers insisted, would be a stripped-down version, still employing the essential technology that made the product perform well, but without certain features that added cost beyond their value to lower-income consumers. Naturally, many skeptics at headquarters worried

that selling “Always Básico” would dilute the brand’s equity. But the experiment was allowed to go forward.

The manager who led the project in Brazil described for us the local energy that went into it. A small team of office staff, plant managers, R&D experts, and external advertising agency talent collaborated to bring Always Básico to market as rapidly as possible. Within the plant, a creative team found a way to adjust an existing line and reduce the cost of manufacturing. The manager told us about the day, a mere six months after her team began its work, that everyone stood holding hands and watching the first units come off the line.

Always Básico succeeded beyond the team’s projections, and headquarters took note. It wasn’t long before

Pampers Básico was launched in Brazil. More broadly, the initiative became a model for products for low-income consumers around the world. Knowledge moved horizontally to other product lines and also vertically to other markets. As each similar effort improved on previous ones, the Brazilians took pride in having innovated on behalf of the world.

The story teaches two lessons. First, people versed in universal standards are often most innovative when they apply those standards to local situations. And second, it is critical that the standards be open-ended and aspirational, not constraining or restrictive. We saw the same kind of balance struck by CEMEX, which has managed to innovate continuously despite dealing in a product most people would consider the purest form of commodity. We heard how an idea for making concrete more resistant to salt water – a significant benefit in harbor and marine applications – originated in Egypt and made its way to the Philippines. Other recent innovations include antibacterial concrete for hospitals and farms, and road surfaces made of recycled tires in countries experiencing rapid growth in road construction.

People are even more inclined to be creative when their company’s values stress innovation that helps the world. Banco Real, the Brazilian arm of a European bank, discovered this when it put social and environmental responsibility at the core of its search for differentiation. The result was a spate of new financial products, including consumer loans for green projects (such as converting autos or houses), micro-finance for poor communities, and the first carbon credit trading in the region. Banco Real also chose suppliers with higher environmental and social standards and even helped them improve their practices. By 2007, it was enjoying the fruits of its values; it had more than doubled its profitability, grown in

size to become the third-largest bank in Brazil, and been rated number one or number two in various surveys. CEO Fabio Barbosa had been elected president of the Brazilian Banking Federation, from which position he could spread Banco Real's model.

A Stronger Basis for Partnering

Companies that have established strong guidance systems find themselves more effective in selecting and working with external partners – increasingly a necessity for competitive success. A more outward- and forward-looking definition of purpose encourages exploration of partnership opportunities that extend well beyond the formal boundaries of the company. It causes people in the company to think about end-to-end responsibilities to the whole ecosystem, from suppliers' suppliers to customers' customers and beyond – to society itself. And it creates coherence across the entire network. "We have partnerships all over the place," P&G chief executive A.G. Lafley said, referring to a sweep from contract manufacturing to advertising and design. "What holds them together is one purpose, one set of values, one set of principles."

Omron's principles, for instance, form the basis for choosing partners and gaining trust. The knowledge that partners would share Omron's values and standards helped the Japanese company's R&D transform what one manager called a "not-invented-here, ivory tower" research approach into collaborative information sharing with partners. Omron leaders consider the company's principles a competitive advantage in securing preferred customers, even when its prices are higher, and winning preferred acquisitions, even when its bids are lower. Recent acquisitions, including some in the United States, rested on discussions of the importance Omron places on people and society. The integration process, leaders said, was "like the joining of two families." Indeed, the target companies

largely performed the integration themselves, posting the Omron principles and wearing the Omron uniform at the first postintegration meetings. In most of Omron's offices, daily morning meetings start with the company's motto, "At work for a better life, a better world for all," recited by employees or broadcast by a manager.

The giants we studied gain allies in innovation, influence standards, and improve lives in the countries in which they operate through their partners as well as their direct activities. They work with established companies but also grow their own networks. Consider

Depot and Lowe's, both of which were then entering Latin America. CEMEX wanted its own distribution outlets and found common ground with the small and medium-sized enterprises that were threatened by the large international chains. In building the network, CEMEX hewed to the values and standards it had articulated, favoring partners of integrity who were trusted in their communities, and rejecting candidates whose business tactics didn't meet CEMEX's ethical standards (even if they boasted high growth or high margins). Partners are expected to share the company's values, including participation in

When Banco Real put social and environmental responsibility at the core of its search for differentiation, the result was a spate of new financial products.

two different value chains anchored by CEMEX. The first is Patrimonio Hoy, which the company created in Mexico in 1998 to organize low-income consumers into self-financing cells and give them access to low-cost building materials, technical expertise, and services. Within six years, hundreds of thousands of families had been served, and this profitable business model was in operation in Mexico, Colombia, Venezuela, Nicaragua, and Costa Rica. The second is Construrama, a distribution program CEMEX started in 2001 to offer small hardware stores training, support, brand recognition, and easy access to products. CEMEX owns the Construrama brand and handles promotion but doesn't charge distributors, operate stores, or have decision-making authority, although service standards must be met. By 2005, this network in Mexico and Venezuela was the equivalent of the largest retail chain in Latin America, and it was expanding to other developing countries.

Construrama was created in response to competition from The Home

community-building philanthropic endeavors – for example, contributing people and materials to expand an orphanage or improve a school.

As companies tackle pieces of the public agenda, the partnerships they forge go beyond the commercial world – and commitment to shared values and standards becomes even more important. A good example is IBM's Reinventing Education (RE) work in the United States. In these initiatives, IBM targeted problems that K–12 school districts identified as their most significant. Researchers from the company's renowned Watson lab created prototypes of tools and tested them quickly, and then assembled the right set of commercial and noncommercial partners to help spread the use of the tools. Some RE solutions, like KidSmart workstations for preschool children, are also spreading worldwide through partnerships with government ministries and nonprofit organizations.

As projects like this become more commonplace, the ability to exercise diplomacy is becoming a job require-



RISE TO ANY CHALLENGE, such as taking the team in a new direction.

With an approach that fosters collaboration and inspires you to put your ideas into action, The Kellogg School can help you fulfill your aspirations. To learn about specific executive education programs in the Chicago and Miami areas, visit www.kellogg.northwestern.edu/execed or call 847-491-3100.



ment for professionals far down in the organization. We were particularly struck by this at IBM India, where people could rattle off the priorities of government officials and explain how the company's activities are in sync. Lorenzo Zambrano, CEO of CEMEX, related a comment made by one of his country managers: "I was trained as an engineer, and now I have to be a politician." Zambrano's response? "Well, yes – welcome to top management!" The activity involved is not simply a trickled down version of lobbying. Managers bring knowledge to government officials about how rules such as product-testing protocols operate in other countries. (Of course, they have to do this gently and with the sensitivity of guests in a host country – even if they are nationals rather than expats.) They can also apply their diplomacy skills to broader matters. The chairman of IBM Greater China, a Chinese national who had worked his whole life in Asia, visited the White House to encourage U.S.-Chinese cooperation on the environment.

Fire in the Belly

If values and standards served no other purpose in a company, they would still serve as motivational tools. They offer people a basis for engagement with their work, a sense of membership, and an anchor of stability in the midst of constant change.

IBM's Palmisano told me that culture is perhaps the hardest area to influence but fundamental to long-term success. "Management is temporary; returns are cyclical. But if we use these values as connective tissue, that has longevity. If people can get emotionally connected and have pride in the entity's success, they will do what is important to IBM." CEMEX's Zambrano echoed this: "We know that high standards have to be applied everywhere. At first, we thought of our reputation conceptually, as something that we needed to keep improving. Now we know it affects our ability to attract the right people. After all, busi-

nesses are networks of people working toward the same end. And everyone has to be proud of what they're doing."

Values arouse aspirations to increase the company's positive impact on the world, and that is worth more to many people than increases in compensation, as a manager in India pointed out to me. This, he believed, was why his rapidly growing unit could attract the best talent without offering the highest pay scales. Centrality of values provides a rationale for longer-term investments where the immediate business case is mixed or unclear, and it permits compassionate decisions that show that people in the company really care, thus taking the edge off the natural cynicism that large companies evoke. In the aftermath of the Lebanon bombing, a P&G manager reflected on the impact of the decision to help employees evacuate. "This was a defining moment for the people," he said, "because they saw that a company that is always saying that people are very important, are the most important asset, was really acting on it. That is where you really believe in the principles and values of the company."

How the Fabric Is Woven

The global giants we studied are operating according to a model that differs from what most people might expect of a multinational corporation. It is not ironfisted hierarchy or some clever engineering of structure that provides coherence to their organizations; it is the effect of commonly held values translating into operations through clear standards and processes – values and standards that are embraced by individuals because they allow autonomy, flexibility, and self-expression. Not only does this approach enable a company to unify geographically and culturally diverse people and guide their daily decision making. It also inspires much higher levels of creativity, leading to more breakthrough innovations.

What about the companies still operating under the old paradigm? Is it possible for them to make the shift? Conversations we had with company leaders suggest the challenges involved. Some companies find it hard to transmit values and standards to portions of the workforce lacking education or international experience, such as unskilled workers in developing countries. Sometimes specific deep-rooted local realities present stumbling blocks; we heard complaints about the history of corruption in Russia, for example, and a generally poor work ethic in Latvia. Companies committed to upholding global standards often find that their demands go beyond local standards and can seem excessive to local managers. Any one of these issues can rear its head in the aftermath of an acquisition, and the desired alignment of standards and values will not come about overnight.

The key to success with the new model may seem counterintuitive to leaders facing such challenges. More than anything else, we heard in our interviews about a loosening of organizational structures in favor of fluid boundaries and flexible deployment of people. Managers and professionals generally appeared less concerned with where they worked and to whom they reported than with what projects they were able to join or initiate. Rather than focusing on the function or discipline that was their organizational base, they focused on the problem to be solved – and figuring out how to assemble the expertise relevant to it. Think of how IBM's cultural heritage projects, like Eternal Egypt and Forbidden City, draw on people across geographies and roles – some colocating, some working virtually, some committing to long-term assignments, some serving as short-term sources of expertise.

Many of these companies have a tradition of making mobility a part of career development, which ensures a degree of international mixing as

Kellogg Post-MBA Program

Part I: April 6–18

Part II: September 7–12

Managing Customer Relationships for Profit

April 6–9

Pricing Strategies and Tactics

April 6–9

Merger Week: Creating Value through Strategic Acquisitions and Alliances

April 6–11

Supply Chain Economics

April 13–16

Business Marketing Strategy

April 13–18

Find the program that will inspire you to put your ideas into action.

kellogg.northwestern.edu/execed
847-491-3100



well as the carrying of expertise from one place to another. This is one of the ways that P&G, for example, transmits its PVP and cultural norms. But using career structures to do this is relatively slow. On the rise, instead, is the practice of asking managers to wear multiple hats for multiple projects – taking on regional or global assignments from anywhere, while not

tening to the priorities of executives in the business units and staying in touch with the research laboratories to understand their latest breakthroughs. He is particularly adept at finding ways that needs and opportunities can be connected, from any part of the value chain.

One last element that seems central to the success of the global giants

Social contributions are no longer an afterthought – a luxury enjoyed only by those who are already profitable – but a starting point that helps companies find profitable growth.

changing their home address. The P&G Brazil marketing manager who worked on Always Básico next headed a global team looking at low-income consumers. IBM's corporate citizenship manager for Latin America previously headed Reinventing Education efforts worldwide out of her base in Rio de Janeiro, watching over work in Ireland, then South Africa and Vietnam. In fact, at IBM these days, about a third of professionals don't have a regular office to which they report; they work from whatever workstations – at customer sites, homes, or IBM offices – they are currently plugged into.

Working with extended networks of partners across inter- and extra-company boundaries requires large numbers of people to serve as connectors among activities – not as bosses but as brokers, network builders, and facilitators. For example, a director-level IBM executive working at IBM China's development labs is focused mainly on making sure that the most promising ideas pass from one stage of development to the next; he and his team serve primarily as technology-savvy bridges between two steps in the process handled by other teams. The IBM leader who envisioned and championed the World Community Grid spends a great deal of time lis-

tening to the priorities of executives in the business units and staying in touch with the research laboratories to understand their latest breakthroughs. He is particularly adept at finding ways that needs and opportunities can be connected, from any part of the value chain.


One last element that seems central to the success of the global giants

we studied is that they have explicitly added mutual respect and inclusion to the values they live by. Diversity programs are no longer primarily a response to legal requirements; they are valued because they help people form relationships more quickly and overcome tensions between groups. At Cisco, global diversity is the centerpiece of CEO John Chambers's leadership development agenda.

I was struck by how far one company, Shinhan Financial Group, was willing to take this attitude in its acquisition of a major competitor. Well before any formal integration was permitted by the terms of the deal, the company was forging relationships of respect, achieving "emotional integration" through executive retreats, and asking joint working groups to create common practices voluntarily. Similarly, the values of respect and inclusion embedded in P&G's PVP were said by leaders to have helped make the Gillette integration smooth. A well-designed diversity program also encourages people to recognize their similarities – that they are guided by values sufficiently universal to allow for communication and collaboration despite great differences in their ethnic backgrounds or their local or professional cultures.

A Giant Change

Over the course of a career studying the organizations of huge corporations, I have learned how they typically direct activity in and maintain control over their far-flung operations. What I have seen in recent years is a model different from what has prevailed in the past. In the most influential corporations today, a foundation of values and standards provides a well-understood, widely communicated guidance system that ensures effective operations while enabling people to make decisions appropriate to local situations. This, rather than any traditional control system, is what enables IBM or CEMEX to operate as one enterprise in projects that span many countries and to share a culture that makes people inside and external partners connect as an extended family.

A first-order effect is that the new model helps large companies avoid the traps of bureaucracy that in the past made them seem like dinosaurs. More deeply, it yields a way of doing business that is more localized and humane. When large groups of people are subject to management by values, aspirations, and open boundaries instead of management by traditional controls, their energies and passions are engaged. Social contributions are no longer an afterthought – a luxury enjoyed only by those who are already profitable – but a starting point that helps companies find profitable growth. The interplay of corporate standards and local conditions puts companies in a position to influence the ecosystem around them (especially in emerging markets) and to generate innovation. If these vanguard companies lead others to adopt their way of working, then we will see a new, and I think more promising, kind of capitalism. And if it flourishes, not only will that be good for business, it will also be good for the world. 

Reprint R0801B

To order, see page 139.

Harvard Business Review and Harvard Business School Publishing content on EBSCOhost is licensed for the individual use of authorized EBSCOhost patrons at this institution and is not intended for use as assigned course material. Harvard Business School Publishing is pleased to grant permission to make this work available through "electronic reserves" or other means of digital access or transmission to students enrolled in a course. For rates and authorization regarding such course usage, contact permissions@hbsp.harvard.edu