

Harvard Business Review



JULY-AUGUST 1995



ADAM M. BRANDENBURGER AND
BARRY J. NALEBUFF

DAVID M. UPTON

REGIS McKENNA

GORDON DONALDSON

HAROLD J. LEAVITT AND
JEAN LIPMAN-BLUMEN

DAVID J. COLLIS AND
CYNTHIA A. MONTGOMERY

GORDON ADLER

RITA GUNTHER McGRATH AND
IAN C. MacMILLAN

JOSEPH A. NESS AND
THOMAS G. CUCUZZA

HOWARD H. STEVENSON AND
MIHNEA C. MOLDOVEANU

**THE RIGHT GAME:
USE GAME THEORY TO SHAPE STRATEGY** 57

WHAT REALLY MAKES FACTORIES FLEXIBLE? 74

REAL-TIME MARKETING 87

A NEW TOOL FOR BOARDS: THE STRATEGIC AUDIT 99

HOT GROUPS 109

**COMPETING ON RESOURCES:
STRATEGY IN THE 1990s** 118

HBR CASE STUDY
THE CASE OF THE FLOUNDERING EXPATRIATE 24

MANAGER'S TOOL KIT
DISCOVERY-DRIVEN PLANNING 44

IDEAS AT WORK
TAPPING THE FULL POTENTIAL OF ABC 130

THINKING ABOUT...
THE POWER OF PREDICTABILITY 140

Also, you never should have turned the meeting over to Waterhouse unless there was a clear reason to do so. What was he doing there? What was his added value? His apology served only to add insult to injury.

You have been described as a "work animal." In European cultures, where family values are very important, that is not a compliment. Working late at night is interpreted as a sign that one has family problems and therefore does not want to go home. Europeans may very well have a better balance between work and family than Americans do. You should be worrying just as much about your family's success as about your career. After all, it's easier to get another job than another family. Give it some thought. It's something to learn from the local cultures.

You might want to ask Janssen for information about your daughter's schooling. Find out what the options are—how other expatriates have handled the problem. Janssen also may be able to assist you in thinking through how to make this time in Zürich a more enriching experience for your wife. You also should ask Frau Schweri for ideas.

All told, you have a good deal to learn in a very short time. From formal dress codes to formal titles, the cultures you are working in are vastly different from the one you're accustomed to. The more you understand how these differences influence the practice of management, the better equipped you will be to anticipate and respond effectively. And you need to transfer your new knowledge back to Argos. By learning to manage more effectively in an international context, you'll recognize what your company needs in order to become a global player. You must help Argos become more international. Since Bill Loun thinks you can do no wrong, maybe the company will listen.

If you fail, you'll be setting a precedent for other Argos managers. Your experience will send a negative message regarding expatriation and career progress throughout the company. Highly qualified candidates and highfliers (like yourself) will be

less motivated to be posted abroad, despite company rhetoric that foreign assignment and international experience are important for advancement. Argos has much to lose if you fail and a lot more to gain if you succeed.



BJÖRN JOHANSSON is chairman and CEO of Dr. Björn Johansson Associates, executive search consultants, in Zürich.

Donaldson should be returned to the United States immediately. Argos needs a local European to unite the acquired companies.

Donaldson should be returned to the United States immediately. There is no way that retaining him in Zürich will help either him or the company. "Besser ein Ende mit Schrecken als ein Schrecken ohne Ende." Better a calamitous end than an endless calamity.

Officially, the explanation can be "family reasons." It's clear that Donaldson is facing serious family problems. His wife has not succeeded in integrating herself into the Zürich environment, and their eldest daughter is having problems at school. Using those issues as a cover, he can be returned to the States with his dignity intact.

After all, he deserves decent treatment. He is in Zürich because Loun

has pushed him there, even though neither his background as an academic in Egypt nor his experience in cross-divisional and cross-functional team building in the United States qualifies him for this job. He has no experience living and working in Europe. Apart from English, he speaks no European languages. He has no experience gluing a group of companies and their various management organizations together. And his actions indicate that he is not a good listener or communicator. It is not really a surprise that, within nine months, Donaldson has become frustrated and unhappy, and has lost respect and credibility not only with Waterhouse but also with all his local staff in Zürich and most of the European managers.

Waterhouse should make a thoughtful but decisive settlement. In his meeting with Donaldson, he should focus on his family situation. He should suggest the idea of returning to the United States and thus solving his family issues. He should tell Donaldson candidly that, after considerable thought, he has decided that Argos needs a local European to unite the acquired companies. He might mention the possibility that exciting challenges will open up for Donaldson back in the States. He should help him view this experience as a learning process so that he will return to the States with a positive outlook and not think of his time in Europe as wasted.

Then Waterhouse should get on the phone with Loun and sell him the situation. Waterhouse has a record of success in Europe. He also has credibility with the CEO. Clearly, Argos can't afford to lose Waterhouse at this stage, and his decision and recommendation will be in the best interests of the company and its shareholders. His message can be, "What's needed here is action, and I will guarantee that positive results will follow." Loun will listen; he really has no choice. And, because Loun thinks highly of Donaldson, he'll try to find a good opportunity for him back in Detroit.

After Loun has approved the action and Waterhouse has informed Donaldson, Waterhouse should call

a staff meeting with all the relevant executives at the Zürich office to tell them about the changes. Then he should inform all the European general managers and key staff of the decision. After that, he should launch a search for Donaldson's successor, possibly with the help of an executive search consultant who has inter-European experience and a good understanding of U.S. corporate environments. The ideal candidate probably would be from Scandinavia, Switzerland, Belgium, Luxembourg, or the Netherlands. (People from these countries are generally perceived as being neutral; as a rule, they are accustomed to dealing with multinational situations, and they usually speak many languages.) He or she will have sales and marketing knowledge, strategic planning skills, and some experience in merging different companies and corporate cultures. A search will probably take two to three months,

during which Waterhouse will have to fill the gap himself with the help of human resources director Paul Janssen and Donaldson's former assistant, Bettina Schweri.

When a new team builder has been hired, that person should spend several weeks at Argos's headquarters in Detroit to get a comprehensive introduction to the Argos company culture and the vision of senior U.S. management. And, upon joining Argos Europe, that person should be closely coached by Waterhouse. Waterhouse should not turn the job over completely for several months. He also should establish clear goals and objectives for Donaldson's successor so that his or her achievements can be measured.

Argos must give its U.S. expatriates much more support and cultural guidance. Only by learning from this experience will the company avoid another similar problem in a future assignment.

tions. This means that Argos must manage organizational and behavioral change on several different levels. Waterhouse should have recognized this long ago and made sure that Bill Loun understood it, too, before naming Donaldson as chief team builder.

One of the dominant European models resembles a family, combining personal, face-to-face relationships with hierarchical relationships. This model tends to operate using a web of informal channels of information. Ursula Lindt is a good example of someone accustomed to this kind of culture. She has tried several times, in subtle ways, to tell Waterhouse about the problems Donaldson is having. When she asks Waterhouse if he heard Donaldson call Schweri a secretary, she is trying to tell him that Donaldson is violating a cultural code. Waterhouse doesn't even seem to hear her.

Another dominant European model is very rational and ordered. In it, tasks and functions are precisely laid out, there is a rigid division of labor, and people adhere to procedure. In this model, power comes from position, function, and role. Image is very important. If Waterhouse understands this model, he has not passed along his knowledge to Donaldson. Donaldson violated a cultural code when he allowed his trainer to conduct a meeting wearing a Mickey Mouse sweater. What's more, he signaled to all present that his own job was not to be taken seriously when he began his keynote address with a joke. Why hasn't Waterhouse brought him up to speed on all this? Contrary to Waterhouse's complaint at the end of the case, cultural savvy *can* be taught. He has made no attempt to teach it.

Frankly, I doubt that Argos can create an integrated team of European managers by conducting a series of training seminars anyway. The Spanish director's complaint about the tight schedule is probably an implicit objection to the whole process. If it is, I agree. The process is insensitive and destined to fail.

Sure, European businesses manage by objectives, pay for performance, and reengineer their organi-



FONS TROMPENAARS is the managing director of the Centre for International Business Studies in Amstelveen, the Netherlands. He also is the author of *Riding the Waves of Culture* (London: The Economist Books, 1993) and coauthor, with Charles Hampden-Turner, of *The Seven Cultures of Capitalism* (Currency/Doubleday, 1993).

What worries me most about this case is not what Donaldson has done; it's what Waterhouse has failed to do. A good deal of the never-ending misery in this realistic soap

Technologies can be copied quickly. Intercultural competence cannot be copied; it must be learned.

opera is due to Waterhouse's incompetence, not Donaldson's. And even though the case is full of stereotypes, it does highlight many of the mistakes that U.S. managers commonly make when managing in Europe.

Some of those mistakes are rooted in a misunderstanding of the challenges involved. For example, Waterhouse doesn't seem to realize that creating a unified European team means more than helping a group of people adjust from one business model to another. There is no single European model. In fact, there appear to be several business models in use among Argos's recent acquisi-