

Multicultural managers in global teams

[Profession](#), [Manager](#)



L'Oreal is an intriguing company: Very French in culture and image, and yet very global in products, brands and activities. It is poised to reach the next billion consumers mostly among the budding middle class of emerging economies. In this article we explore one facet of L' Oreal's success: Its very clever use of managers with bi-cultural backgrounds in the most critical process for the success of the company; new product development. Of course we all now recognize that cultural diversity is a good thing, and we value executives with expatriate assignments in their backgrounds, who claim themselves to have become cosmopolitan. L'Oreal goes one big step further: Rather than just diversity among executives it seeks " diversity within" each executive [2. Yves: Brannen & Thomas, 2010: p. 6 & p. 13: ' cultural diversity that exists within individuals' and MYB & Lee, forthcoming, p. 23: ' diversity within a single person']

Yves, i. e., it hires develops and uses strategically individual who -usually by way of a multicultural early childhood-have gained the ability to understand and behave according to the cultural meanings and norms of two or more cultures. [3. Yves: This definition of multiculturalism. MYB can not argue to own the definition as hers. Previously other researchers define biculturalism such as Hong et al., 2000 in their phenomenal article, " Multicultural minds'] Not only can they be precious bridges between their cultures of origins, they can also be sensitive alert scouts in new cultures, with an ability to grasp them much greater than individuals from a single cultural origin. [4. Yves: This is about multiculturals' cognitive complexity (BMV et al., 2006 and Tadmor et al., 2006/9. I think this sentence is more ' common sense'. I heard

a lot from those who participated in ' Bicultural thought leadership conference in Green Gulch and Abu Dhabi]

Not every global company needs bi-cultural executives but many can greatly benefit and learn from them, thus instilling in their international executives - whose vast majority are from a single cultural origin-some of the critical cross-cultural skills that help make them effective. [5. Yves: Is this can be a common sense?, I don't find exactly same words or phrase in MYB's]In this article we draw a few lessons from examining L'Oreal's decade long experience in using bi-cultural executives selectively. But first, what is the challenge bi-culturals allow to address successfully? [6. Yves: I don't know why she highlighted here]

THE CHALLENGE: IT IS NOT EASY TO BE LOCAL AND GLOBAL

Global competitors face an age-old tension: Serving regional or national markets requires adaptation to local conditions, and calls for differentiation in their products, services, and business models, but achieving economies of scale and scope across markets calls for uniformity and integration of activities. Local responsiveness and global integration are hard to combine. Some products are clearly global, such as TV sets, except for regulatory and language differences, and simple technical differences such as voltage. Others, such as restaurants, are intrinsically local, although global formulas and brands may succeed, such as Starbucks or Benihana. Many products, and to a lesser extent services, call both for responsiveness to local differences and for some form of global integration, of brands, marketing and advertising, manufacturing, product development, and research. They are

affected by the global-local duality of knowledge differentiation and integration in innovation processes.

Perhaps at the forefront are companies striving to develop global products in culture-sensitive and ethnically differentiated markets, such as cosmetics and skin or hair care. L'Oréal very much faces this challenge: Its main product categories, skin care, hair care, hair color and beauty categories are sensitive to global economies of scale and scope, and they also need to be highly responsive to local market differences. Furthermore, not all of L'Oréal's product categories face the same mix of demands: Hair care may be very regional and dependent on ethnic differences, lipstick and most fragrances much more universal. Luxury brands are more global than mass market ones, which are often local.

Figure 1: The complexity of product portfolio: Responsiveness and Integration Differences

The global integration-local responsiveness issue is further complicated when the knowledge required to develop and market products is complex. Yet, such complex knowledge (tacit and collective, only revealed in action and interaction) now lies at the heart of innovation and global competitive advantage, not just for L'Oréal but also for most global competitors. Other forms of arbitrage, for products, costs, or materials... are easily imitated, and have been. Complex knowledge is hard to identify and observe, let alone imitate. It has become the main source of sustainable competitive advantage for global competitors. It drives hard to imitate innovations.

L'Oréal as a leading French multinational company in skin care and beauty products provides a remarkable example of relying on complex knowledge for innovation: Its products are not just chemicals, much more importantly, they depend on fashion, style, seduction, they convey national image of French women's sophistication... they elicit the idealized self-image of its customers and their value is conveyed through complex, often subliminal advertising and multiple distribution channels.

Of course, some highly culture- and context-dependent products, with a strong national identity happen to find readily a global market. They are widely adopted worldwide with little or no adaptation (French perfumes, U. S. action movies, German classical music and high-end cars, Japanese Mangas, Korean " K-Pop", Bollywood movie and TV productions or U. S. fast food). But these are exceptions more than the rule. In fact, a common language, high cultural and institutional homogeneity, greater density of interpersonal networks and friendships, and less " not-invented-here" resistance mean complex knowledge generally diffuses more rapidly within single countries than across national boundaries. So, in industries where complex knowledge drives innovative advantage success depends on face-to-face (or rather shoulder to shoulder) participation in local and national networks where new complex knowledge first arises. [7. Yves: Isn't this argument yours?] MNCs should build, manage, and globally integrate their local/global capabilities and dispersed inputs. Yet the quality of local knowledge access, being embedded in local cultures and networks, often makes global sharing more difficult, as local participants in global innovation processes are culturally very different and closely identify with their origins. [8. Yves: Isn't this yours

as well? MYB doesn't do much about knowledge and global innovation, does she?]

For many companies, such as L'Oréal, this challenge is further complicated by an additional contradiction: While they want to be global, they do not want to relinquish the advantages associated with their country of origin. L'Oréal does not just sell cosmetics, it mainly sells "French-ness" to women around the world. In other words, its identity, and its founders' cultural inheritance need to be protected, and remain part and parcel of its global offerings. The company has maintained its founder's spirit of entrepreneurship, and remains largely family-controlled, with a very strong shared culture. Over its 73 years, it has had only four CEOs (including the founder), all with very long tenures, and it promotes only from within. One becomes part of senior management over the years, as one weaves a dense network of relationships with colleagues and builds trust over time. In France, the company has a reputation for being "the" consumer marketing school, and many of its "alumni" have become successful entrepreneurs and business builders, such as L'Occitane en Provence, a highly successful fast growing skin and body care company.

Its third CEO, Welshman (and INSEAD graduate) Lindsey Owen Jones is widely credited for having transformed the company from a regional European challenger to a global leader, but the company still remains quite remarkably French. Traditional approaches to the internationalization of senior management would not work well for L'Oréal, or might only work very slowly since a rapid infusion of international executives in the top ranks

might compromise the tightly knit and informal French community of senior managers, operating as a global network. Furthermore at L'Oréal, complex knowledge about products, cultures, and how to work together is progressively learned and internalized by individuals as their career develops, which makes a rapid internationalization of senior management through hiring from outside largely impossible. French managers are often assigned to international operations, and learn about the plurality of cultural and institutional contexts, as well as about different consumer priorities, but few foreigners become senior executives. The most promising international executives might be reluctant to join L'Oréal anyway fearing the risk of a glass ceiling. Successful senior executives often identify themselves as partly French, for instance French and German, of French, Moroccan, and German. And even executives that identify themselves as foreigners take great pain to explain they have lived in France and worked for L'Oréal for a long time and pride themselves on speaking perfect French. The main language of the company has remained French. [9. Yves: This is my observation and your informal discussion when you lead workshop with L'Oreal R&D top management a while ago]

STRUCTURAL SOLUTIONS DO NOT WORK:

For L'Oréal, and for many multinational companies, to successfully address the global-local innovation duality, simple structural solutions such as regional units or global product divisions won't work, for at least two reasons.

First, the product range puts both intensely global and intensely local demands on the way the company is run. No “either-or” organizational solution will work, the company needs both global and local priorities effectively taken into consideration in decision-making. Take perfumes (or fragrances as they are known in the industry). World products and famous world brands (think of Chanel No 5) are the name of the game, but the underlying knowledge needed to develop a perfume resides mainly in France, for historical reasons. Second, companies such as L’Oréal need a wide range of products to maintain their strength in distribution: fragrances, cosmetics, skin care products, and hair products. Any simple structural approach such as local subsidiaries and regional entities or global business units would fit a few of their products but not all, given the diversity of demands for local responsiveness and global integration shown on Figure 1. Some are more global, such as perfumes or cosmetics, others are more regional or local, such as hair care or skin care. As the company considers increasingly the “next billion customers” (as the CEO stresses) in emerging economies, both the advantages of global scale and the need for local differentiation will increase even further. For some products, like fragrances, most relevant market and technical knowledge can be found in one place, for most though, like hair care, relevant knowledge is distributed around the world and will become even more so with the growing importance of emerging economies.

Furthermore, speed is often of the essence: Knowledge-driven FMCG (Fast Moving Consumer Goods, such as beauty and skin care products) industries call for a continuous stream of innovations across a wide product portfolio

facing both local responsiveness demands and global integration advantages, but in varying degree among products. In new areas, such as anti-aging, competition is intense and fast, as well as technology based, in mature areas it is slower and marketing driven. Yet, any technological advantages are short-lived. Yet speed needs to be tempered by continuity. Even with constant innovation, markets quickly reduce the most advanced products to the condition of feature-less commodities unless brand equity has been built very quickly. Underlying ingredients are relatively stable and long-lived, but new products are frequent. Brands cover families of products (Lancôme, Biotherm...) to provide continuity and lasting brand strength but leave room for fast and frequent product renewals. Continuity of brands, and of channels, and renewal of products have to be carefully integrated. No organizational structure, global business units or country organizations will be up to the task. Structure is too blunt a tool. Of course, some multinationals resort to matrix organizations, but adopting a matrix organization is a cop out: It just acknowledges that, as we just outlined, complex, varied and rapid trade offs between local responsiveness and global integration need to be made constantly on very specific issues: product packaging, marketing campaigns, specific chemical ingredients, etc. So rather than risk getting mired in the negotiations that end up being so characteristic on matrix organizations, many companies, L'Oreal included, go one step further: Global teams.

GLOBAL TEAMS: PROMISE AND PITFALLS

Faced with such challenges to achieve worldwide innovation, combine global knowledge integration and local knowledge differentiation, and be fast, global companies increasingly resort to global, and often virtual, teams. These teams hold the promise of effective knowledge creation, knowledge sharing, as well as flexibility, responsiveness, and speed. Yet, in practice in many companies these global teams are no panacea: they suffer from misunderstandings, conflicts and often fall prey to a Babel Syndrome: their members talk past each other, not together, and teamwork breaks down. The results of their work are often disappointing, particularly when complex knowledge is essential, like the proverbial camel designed by a (multi-cultural) committee. Actually, it is often difficult to transmit even explicit knowledge across cultural boundaries and it seems impossible to transmit tacit knowledge, where physical distance also gets in the way. Even seemingly universal and very precisely explicit knowledge, such as mathematics, is liable to different perspectives and interpretations in different cultures. Tacit knowledge cannot be transmitted over distance because it is revealed only in action and cannot be meaningfully explained. It has to be learned through (co)-practice. [10. Yves: The difficulty to transfer tacit knowledge is common sense and not only MYB (2004) and much earlier, other researchers (Szulanski, 1996; Zander & Kogut, 1995) already argued.]

BI-CULTURAL MANAGERS AND GLOBAL TEAMS AT L'ORÉAL

To avoid the pitfalls typical of global teams L'Oréal makes extensive use of bi-cultural managers and professionals in its product development process (i. e., individuals, usually of mixed cultural backgrounds, who can switch their

frame of reference, both in what they understand and in how they behave, between two or more cultures). Although bi- and multi-culturals only account for a very small proportion of L'Oréal's employees (a few dozens out of 69 000 employees in 130 subsidiaries) they play a key role in the most critical activity of the company: new product development, headquartered in Paris. No less than forty percent of about 160 product development project managers (among whom 40% come from foreign subsidiaries and 60% were recruited in France) are multicultural. L'Oréal has maintained this recruitment balance in new product development leaders for over ten years.

The task: New product development teams, each composed of a few people, some multicultural (the smaller circles on Figure 2), work closely with other groups such as research and development, the international marketing team, and local subsidiaries in a highly interactive process. It involves functional groups within HQ and across regional offices. Newly created product concepts also have to be coherent with existing product lines (e. g., hair care products that use only natural plants) and their reputation (e. g., environment-friendly and people-tested). So considerable inputs from the various subsidiaries are needed. Finally, the product has to be feasible for manufacturing without any risks. Developing a new product concept takes from six months to a year depending on the product's level of novelty. In developing a new product concept, multicultural project managers have to present their work to top management on a regular basis, both formally and informally. Once they obtain approval for their new product concept, they present their project at the ' la journée mondiale', L'Oréal's largest and most important yearly event at HQ. This event attracts all regional directors from

all around the globe who come to evaluate future products (i. e., those that would hit the market in one or two years). If feedback from the regional directors attending this event is positive the multicultural project managers move from articulating product concepts to actually designing the products. In the design phase, multicultural project managers select and combine ingredients, choose product colors, and design packaging for the product with the packaging team (often outsourced) and manufacturing team (called the “ Factory”). They interface intensely both with headquarter functions and local subsidiaries around the world. Through all phases, project managers work with their colleagues in teams within and across departments at HQ and local subsidiaries. Multicultural project managers work with others on three levels. First, they work in their own team (called the ‘ unit team’), where they managed informal relationships with other product managers. One product development team is composed of two or three project managers who are responsible for developing different products for the same region in the same product category (e. g., hair products). For example, for Latin America, one multi-cultural manager (Lebanese-Spanish-American) was in charge of women’s hair color, while another (French-Irish-Cambodian) was in charge of women’s hair care (hair damage). They shared physical space so that they could exchange ideas, information, and feedback (the larger central circle on Figure 2).

Second, they interact with their boss and the leaders of other functional departments in Paris. Although more than 40% of the project managers in the new product development division are multi-cultural, the majority of their direct bosses are mono-cultural, very French. Project managers meet their

direct boss quite freely any time they needed or vice versa. Regular divisional team meetings with top management are held with other unit teams (for the same product line, such as hair care Asia and hair care international), other functional departments, and teams in local subsidiaries. Informal meetings with other functional departments (e. g., R&D, supply chain, advertising, and packaging) are held based on the phase of the product development process.

Third, project managers work with local subsidiaries, via email, phone calls, and videoconferences. They also visit local offices regularly. It is the project managers' direct bosses, however, who visit local subsidiaries more frequently—at least once a month—as they are in charge of developing several products at the same time. In addition, because project managers are operating within a tight schedule and budget, they accompany their direct boss only when the visit is urgent and important.

In the final development phase project managers involve employees who executed promotional campaigns through television, the Internet, and other advertising activities. They set up all visual images of products, articulate the products' selling points, and choose the best way to promote the products they developed. Team leaders with more experience lead the promotion campaign directly. More specifically, experienced team leaders travel to local subsidiaries and direct all processes of promotion. Product promotion also involves various new tasks often outsourced to new groups. For example, to promote a make-up product for Chinese women, the promotion team hired a famous local movie star, local make-up and uniform

team, local stage setting team, and a professional camera crew (which was a French team). Television commercials are typically expensive and take months to complete.

The people: Beginning with their recruitment, multicultural project managers at L'Oréal gained credibility for new product development by being labeled 'international talent' by the Human Resource department, a prestigious title in a company trying to combine strong French roots with global reach. Most had at least five years of working experience in sales and marketing in local subsidiaries, or for those recruited in France, who were graduates of top business schools, twelve months of intensive training in product development and marketing department at HQ. At L'Oréal, they were called 'the stars' or 'crème de la crème' (meaning the best of the best). L'Oréal designated an HR manager who managed the performance and career development of these employees who were anticipated to be top performers.

Figure 2: Team composition and its work within and across units at L'Oréal

!!! Yves: From this part till conclusion in p. 19, all parts are from the 2nd chapter of my dissertation.

Multiculturals in global teams: Multi-cultural individuals that have internalized more than a single cultural schema (i. e., the values, norms of behavior and beliefs of a given culture), [11. Yves: this is the definition of multiculturalism. See #3] bring unusual skills to solve challenges in knowledge transfer across international borders for global innovation. Not only do they bring the obvious knowledge of their own cultures, and the ability to translate and transfer complex knowledge between them, but also

the latent skills to understand new third country knowledge in context, and being effective bridges to combine knowledge from these other countries.

[12. Yves: understanding third culture knowledge is related to David Thomas' metacognition (2008). I describe similar argument in my IJCCM paper as culture-general knowledge (Hong 2010: p. 96-97, I cited Thomas et al., 2008 'Cultural Intelligence'] L'Oréal also recognizes multi-cultural's creativity in new product development and their innovative ways to combine/ bridge knowledge in global teams. But more specifically, these bridging, translating and sense-making skills are key to the effectiveness [13. Yves: this is the 2nd chapter of my dissertation]of L'Oréal's global product development teams. Bi-cultural's are uniquely able to play specific roles:

Role 1: Managing Knowledge Processes in Teams

In creating new products, multicultural project managers manage two kinds of knowledge: product- and market-related knowledge and organizational/practical knowledge. The multicultural project managers' challenge is to integrate the creative options to be pursued, while transforming local market knowledge into global product knowledge for higher quality products and innovative concepts. To bring a creative product to fruition, their contribution to knowledge sharing processes in the team focused on three areas: (1) bringing new local product and market knowledge, (2) translating cultural nuances, (3) connecting geographically diverse knowledge and skills. [14. Yves: this is from my dissertation]

Bringing new local product and market knowledge: Multicultural project managers were expected not only to know what evolving market attributes

were but, more importantly, identify new market trends and generate market insights. In addition, to secure the new product concept, they worked with other members (e. g., team leaders, regional directors, R&D, and local subsidiaries) by reviewing differing perspectives on the commercial viability of new product concepts. In response to these challenges, multicultural project managers brought both new product ideas and market understanding:

Our team tries to find some natural ingredients for new hair care product. J (Hong Kong-Canadian-Singaporean) knows all the Chinese medicine that has no translation either in English or in French because it's so authentic. J does not only explain these ingredients but also suggest some ways we (team) can use for our new products. (French Director)

and bringing local market knowledge:

The Polish-French project manager was raised in Poland until age 20. She described her life under the communist regime and after in terms of how she evaluates and appreciates make-up products. As our target consumers are about her age, everything she shared with other members is valuable for developing products and markets. She is actually educating us to get a better understanding of consumers in the region. (American-French regional director talking about Polish-French project manager)

Translating cultural nuances: Even if a common syntax or language is present, as in mathematics or chemistry formulaes, interpretations are often difficult not in processing the information, but in learning about the sources

of semantic differences across cultural boundaries.[15. Yves: MYB tends to argue as hers if there are phrases with language - semantic. I just typed semantic difference in ' google scholars'. There are so numerous papers talking about semantic difference across cultures from psychologists and linguists.]The problem then shifts to who interprets what. A French manager who planned a test of a new shampoo in a laboratory in Germany explained how his French-German-British multicultural manager who used to work in Germany helped him:

If we say ' dry hair', dry hair on this floor (HQ) doesn't mean as same as German ' dry hair' means. So, it is much safer to check with B who knows two cultures (French and German) and translate exactly what I mean as ' dry hair'. (B is German-British-French multicultural)

Connecting geographically diverse knowledge and skills: To generate creative ideas so that they can be implemented, multicultural project managers must be able to access expertise and draw analogies from one cultural group (e. g., local) to other cultural groups (e. g., other regions or globally). They synthesize those ideas from multiple sources-diverse cultural perspectives-for innovative products. [16. Yves: this is from my thesis] For example, a French-Cambodian-Irish project manager used the specificity of Asian women's skin care (reducing wrinkles) to develop a new product for the French market. He noted:

While researching Asian skin-care products, I found that in Asia, some tinted cream (skin colored cream for make-up face) used ' face lifting effect', in France and Europe, none of tinted creams used face lifting effect. I

developed a new tinted cream with face lifting effect for French market. It was a big success! (Team: French-Cambodian-Irish project manager, a Chinese-French and two French).

Role 2: Managing Conflicts in Teams

Cultural differences in teams increase the risk of conflict. Multicultural project managers manage conflicts in teams by (1) reducing misunderstandings and (2) displaying flexible behavior with people from diverse regions and cultures. [17. Yves: this is from my thesis]

Reducing misunderstandings: Product development managers must gain cooperation from their colleagues at HQ and local subsidiaries. Multicultural project managers mitigated the negative effects of cultural distance and group boundaries on developing trust between HQ and local subsidiaries.[18. Yves: this is from my thesis] For example, an Indian-American-French project manager noted:

If an Indian local manager said, ' India might have an issue with this ingredient for a new product because there's no written communication confirming this can be used to please our consumers.' What they actually tried to tell me was, ' No, I won't do what you asked us to do and please lower your expectations.' But I didn't make any negative comments on that. Instead I said, ' Okay, how about I discuss with R&D at HQ and find out the way we solve this problem?' In this way, I didn't make an uncomfortable situation. Instead, I got respect from them, which as a result had a positive influence on our work progress. (Indian-American-French manager; Team

members at HQ: Chinese-French, French; Local teams: India, China, & Thailand)

This Indian-American-French project manager interpreted ' I'll try my best' (Indian local team) as ' It's going to be difficult, or ' No, I am not going to do it.' He preempted potential conflict and tried to avoid risky situations where the local team felt pushed by HQ. In this way, he could develop interpersonal trust between these two groups. However, although HQ members may not provide any negative comments immediately, but still hold a negative impression of the Indian. In other words, they prejudged that the Indian local team did not fulfill its responsibilities, and trust in the Indian team was lost. This may not cause a problem right away, but it may be a root for relational conflict that eventually harms the trust between HQ and local teams. This multicultural manager not only preempted potential conflict between two parties but also tried to avoid risky situations where the local team felt pushed by HQ. In this way, he could develop interpersonal trust between these two groups.

Displaying flexible behavior to deal with people from diverse regions and cultures: Once conflicts erupt in teams, however, multicultural project managers handled those conflicts with tolerance. In other words, they were more accepting of different cultural values, less disturbed by them, and accordingly better at handling conflicts due to valuing cultural differences among members. [19. Yves: this is from my thesis] For example, a Hong Kong-British-Canadian-French multicultural director whose team members were Dutch-Chinese, Taiwanese-French, and Korean-British and whose boss

was French noted how members handled a process conflict (e. g., time management), which was created by different work values regarding meetings:

In terms of meeting time, we all seem to have different principles. For example, my French boss never starts meetings on time and quite often postpones or cancels them. H (Dutch-Chinese) is very strict on time and deadline (meeting is time for checking-up on each other's work process). I and K (Taiwanese-French) we are a bit flexible regarding meeting time. So, whenever we have meeting with my French boss, or ourselves, we face frustrating moments. But, what is important for us is how to handle this frustrating moment. As we are conscious about each other's differences, we come to compromise when such moments occur. For example, with my French boss, I need to be really flexible with time. With my team members, if I am behind my meeting schedule with my team members, I make sure to tell them in advance why I am behind and ask them next availabilities. Conflicts may still exist in my team. But we handle them at a much more tolerant level. (Hong Kong-British-Canadian-French director, Team: Dutch-Chinese, Taiwanese-French, Korean-British and French boss)

L'Oréal's product development team members have cultural diversity within themselves. They are bi- or multi-cultural and play two critical roles in team innovation: (1) bridging between cultural contexts and combining knowledge across cultural/national boundaries; and(2) resolving cross-cultural conflicts.

[20. Yves: this is from my thesis]

WHAT WE CAN LEARN FROM L'ORÉAL

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To a greater or lesser extent, most global companies face the four challenges, or dualities, we identified as so characteristic of L'Oréal: Global-local, dispersed complex knowledge to be integrated, national image of the home base but glo