

# REPORT ON INTERNATIONAL BUSINESS CHALLENGES

*PART 3) STAKEHOLDER RELATIONSHIPS*

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## 1. STAKEHOLDER RELATIONSHIPS

### 1.1.1.1. CHANGE MANAGEMENT: Improving change communication and implementing change cross-culturally

Communicating change is one of the key challenges mentioned during our interviews, as it affects every company in whatever industry in any country. First, managing the contradictions between top down and bottom up communication as well as maintaining clear communication throughout change projects are difficult tasks especially when unexpected changes occur. This can be frustrating for employees because it increases ambiguity and insecurity, above all when updates are not communicated to key stakeholders promptly. In addition, the size and global aspect of multinational companies further complicates this demand for clear communication and transparency. Within international corporations, it is also vitally important to have clear decision-making processes that are recognized. Reason being,

*“If decision making processes are not explicitly explained in detail then people will become frustrated when decisions were assumed to be decided when in fact they are still undecided”*

The consequences include projects delays and increased emotional distress. One possible solution is to clearly establish which strategic points or change features are up for debate and which are not. Although two-way communication is important during change management, it can be damaging when employees are not informed whether certain topics are not open for discussion. One executive’s experience showed that this situation occurs, when employees believe that they are entitled to discuss and produce feedback when in fact the decision making process does not include their input. In such cases, employees discuss decisions that they have no control on repeatedly and they perceive that their feedback is ignored, leading to dissatisfaction and frustration. This is why many executives mentioned that it is important to allow some “give and take”, also in change processes. Allow countries to negotiate and have a discussion over the plans and be prepared to listen but on the other side, make sure to communicate what are top-down decisions, which are not negotiable.

Change management in a different cultural setting also appeared to be a challenge, especially for international managers. Sometimes getting the buy-in from a local subordinate appeared to be even more difficult than in a “home” environment, as the manager did not know how to effectively motivate employees and overcome their resistance to change. One senior manager mentioned, *“It is not enough to convince them, you need to get them on board, to win them over their ideas”*. A possible way of doing so is through a lot of discussions and repetition, using a step-by-step process, celebrating small successes: *“never forget the big goal (strategy) but still celebrate small achievements, and keep them on the path”*. From our conversations with the interviewees, we encountered also the topic of cultural differences towards change. For example one manager told us, *“During the change I found that Europeans are more receptive to change and are more individual thinkers, whereas the US and Asian cultures are more “remote controlled” – however I think that maybe the central European location from where I managed the change was also a factor for this possibly”*. As managers’ perceptions are also influenced by their own culture, what appeared to be difficult is to know what to do in a culture with whom we are not familiar. Even more difficult is when corporate cultures also intervene, although the cultural topic is often underestimated being considered “too soft”. Resistance to change is something common in all cultures as it is something intrinsic in human being; at the same time, there are certain cultures who are more receptive to change while others need to be approached differently in order to have change accepted and happening. For example, in a high power distance culture it may not be common to challenge your manager publicly in a team meeting, whereas low power distance societies this would be acceptable (Cole). When managing change in foreign cultures i.e. in foreign subsidiaries it is also important that international managers consider the different methods of working to achieve results. One executive experience with his Romanian employees was that there was a lack of ownership, commitment and responsibility especially when problems arise. He observed that this was in his opinion due to the history and cultural mentality of *“it’s ok, it’s running”*. To conclude, celebrating small achievements, monitoring of whether people

are still “*on the boat*” and checking the situation by asking for feedback are aspects that do support change implementation across cultures.

#### 1.1.1.2. DEVELOPING FUTURE TALENT: International “War for Talent”

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Employees are one of the most important stakeholders for a company and hiring the right employees, attracting and retaining them appear to be another key area of concern, defined as “*War for Talent*”. Many executives operating in knowledge intensive industries are finding it increasingly difficult to recruit the best individuals. Although the current economic climate was regarded to have temporarily suspended the competition, skills renewal was also important for existing employees to develop new skills to replace obsolete ones .

Another area that is especially interesting for recruitment in international businesses is the increasing numbers of “*Third Culture Kids*”, an expression used for individuals who have grown up in different cultures from their own cultural heritage. Such individuals are identified as more internationally aware and internationally oriented individuals; who may be suitable for international management positions since they are able to easily decode different cultural group behaviors.

Although, such a new demographic group may provide a new source for talent, it also has its own unique challenges. For example, executives also found such individuals highly adaptable and “*willing to hop from one job to another - so companies will be challenged in keeping them*”. Here talent retention becomes the next potential challenge as people become more and more flexible in moving to new country, many high potential individuals are choosing their place to live according to where they receive the most competitive career offers. Therefore, if before quitting your job and finding a new one in your city was sometimes a challenge, the possibility to search “*anywhere*” in the world makes it easier for people to find attractive jobs but makes it difficult for employers to retain their most talented employees.

#### 1.1.1.3. GLOBAL COLLABORATION THROUGH VIRTUAL WORKING: Virtual teams and the increasing use of Web 2.0 communication tools

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As multinational companies continue to expand geographically, ensuring efficient and successful global collaboration has become an area of concern. It was evident from our survey that many of our interviewees worked intensively in globally dispersed teams, relying heavily on a wide range of electronic communication tools to facilitate collaboration. This relatively new form of working environment known as “*virtual working*” is now common practice for many geographically dispersed teams, where individuals collaborate across time zones, geographic boundaries and organizational functions. It is important to highlight that when we refer to virtual working in this report we are focusing on company employees who are geographically dispersed either at a national or global level, who work from different company office locations. This distinction excludes other forms of virtual working such as “*mobile working*”, “*home working*” and “*flexible working*” which have their own unique characteristics and challenges.

One of the key advantages of virtual working is that managers can build teams with personnel from all over the world and source expertise from wherever they are located to troubleshoot global or local problems. This helps break down organizational barriers and lowers operating costs whilst increasing collaboration. However, there are some major challenges that are created from virtual working such as the increasing reliance on Web 2.0 communication tools and its consequent impact on face-to-face interactions and the teambuilding process. Web 2.0 communication tools include email, intranet, internet, VOIP, instant messaging, blogs, wikis, web-seminars, podcasts, webcasts, video conferences and telephone conferences. If these means are not used correctly, they can prevent rather than support the realization of collaboration, communication and trust in a virtual team.

During our interviews, numerous executives commented that the benefits of virtual working could be destroyed simply because of ineffective and inefficient communications. Firstly, one challenge recorded was

that too many managers are managing by emails, creating the “*information overload*” scenario. This is where one manager commented that, “*my inbox is always overloaded, this is a challenge as corporate information is deleted directly*”. This example demonstrates how the increase in electronic communication volume (mainly in the form of emails) is drowning managers’ inboxes with often disjointed messages. The key communication challenge observed by another executive now is “*finding the right information at the right time*”. This challenge was summarized eloquently by one executive’s observation,

*“We have enough information but can we digest all the important information? Just making information available does not mean people read it. If they read it, you are not sure if they understand it, and then you also risk going into information overload”*

There is also the international aspect to communication now that engenders cultural differences and in certain cases language barriers. One interviewee commented that many of the communication problems he witnessed were created because his employees were communicating more internationally via electronic channels. For example, “*if you send an e-mail it is difficult to say if somebody misunderstood it... If we can see each other it is different*”. Therefore, awareness that even though English is de facto world language, English proficiency may not necessarily be consistent within the company. This can be especially problematic when multiple non-native English speakers interpret a message differently or misunderstand its intended meaning.

#### 1.1.1.4. INTERNATIONAL TEAMS: How to create trust and relationship building

Another challenge with international teams and virtual working relates to the teambuilding and relationship building process when trust and familiarity is developed. One executive stated that there is a risk of “*not having enough personal contact to develop relationships*”. Another executive suggests that you should,

*“Check the person you are meeting virtually is the same in real life, because the risk is that people behave in a way different if they are online”*

To increase the likelihood of success one recommendation is “*to invest personal time to understand if people feel good and trust you enough to share more than their day to day work, to share the entire package*”. From our findings, executives appear to agree that when managing virtual workers their roles and responsibilities have evolved. One executive states, he believes “*that in the virtual environment 50-80% of their role is now as a people manager and no longer managing the task or job*” they are assigned. Therefore, virtual interactions where the agenda is solely concentrated on business will not help further develop virtual relationships, which are critically needed.

In order to make international teams work, it is necessary to have a continuous nurturing of the relationships, both internally and externally and have a strong element of trust. At some point, somebody needs to take the lead, and a complete trust in that person is necessary. If that person does not achieve the trust of the team members, he won’t get the information. However, identifying the leader of a virtual team is something that happens in the process: “*I’ve been so involved that I was identified and perceived as being the knowledge owner. This process was not necessarily fostered by my large organization and hierarchy and that was frustrating. You had a rotation system that after three years you were obliged to move to a new function*”. This means that sometimes the organization structure and system does not always take into consideration the informal dynamic happening in virtual teams and might represent a barrier rather than an incentive for the functioning of the team.

We also had some positive comments and best practices in how to build trust by avoiding competition: “*From 1 to 10 I would rate trust in our team as 10 (very high): one of the things is that we see each other once a year which helps to build the relationship. Since the teams are so independent, there is no competition but rather support. We don’t need to hide something or not to share something*”.

To make it happen, our interviewees gave us **some suggestions**:

- **Relationship building in the team:**
  - In the regional team, have meetings more regularly
  - Be aware of personal events such as birthdays, fests, etc...
  - Cultural respect is also very important: for instance, don't arrange a call in the Middle East on a Friday as for them it is free day
- **Conference calls:**
  - Have them well structured, maximum 45 minutes long
  - Rotate responsibility
  - The value depends on who is hosting: engage people and involve everyone to keep their attention and avoid people doing other things
  - Do not just listen in! Keep calling people by name to contribute in discussions
- **Creating the team:**
  - Have something personal about each team member: for example, a short personal CV, with some unexpected questions and personal details - what you like to drink, holiday pictures, etc. and post them as part of the CV. It helps to identify common interests.

Our survey also highlighted an interesting observation, which was that team member selection for virtual teams is also important to increase the probability of successful collaboration. One executive gave a vivid analogy to express the importance of team selection, *"if the ingredients are bad you cannot expect the dish to taste good"*. The importance put on this process may be partly related to the opportunity for executives to choose individuals they have previous work experience from and thus already have a basis of trust and relationships with.

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