



Perspectives

Investing in cultural capital

A perspective from Tom Eggemeier, GM
Alcatel-Lucent Enterprises European

Dr Bharat Vagadia

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Tom Eggemeier is a man on a European growth mission. He believes that cultural differences mean that there have to be different approaches to how you do business in each country: “If you want to have success throughout the EMEA region, you need to have a lot of cultural knowledge within your organisation. Either you can try to cram all that knowledge into one central office, or you can embrace the diversity of the region and go with smaller offices that house much more concentrated local knowledge and the power to change the conversations that you’re having on a country-by-country basis”. In the words of Tom Eggemeier: “you accumulate cultural capital”.

EMEA’s 128 countries have such an amazing range of different cultures and business practices that it’s staggering to think that it’s treated as one region. Even in single countries there are important differences between cities such as London and Manchester, Valencia and Madrid or Paris and Bordeaux – so comparing Paris to Dubai, for example, is like putting different solar systems side-by-side.

During the economic downturn it has been, and still is, difficult to pick up significant momentum in the European market - though most countries have been able to stabilise and hold their ground negative growth is not uncommon across the region. During this time, Alcatel-Lucent Enterprise has been able to find ways to win new business and see growth in certain regions where most companies are seeing decline.

Spain is a good example. Alcatel-Lucent Enterprise was able to enter into a partnership with Telefonica that has seen the company grow by double digits percentages for the year in that region.

To head up this operation as an American in Paris has required a pretty distinctive approach in which the over-riding characteristic for the development of the organisation has been to establish a cultural balance. This is something that goes against the more traditional centrist approach to sales and marketing that you might expect at a time when cost reduction is such a high priority. But we used our cultural capital to strengthen our relationships, partnerships and engagement. We are helping organisations to engage with their customers and to let their employees engage with one another – so our engagement with our customers is very important to us.

So, here’s what we did, and why, in developing this European strategy:



Localisation vs centralisation

From the outset, there were clearly significant cost benefits to a centralised, replicable model. You can reduce headcount, shrink several processes into one that is simply re-produced however many times is needed and your TCO for the region-wide operation is a fraction of what it is with local offices. However, my personal experience is that long-term success comes from localisation – this is for three main reasons:

First: Cultural understanding

By having local sales teams and implementation experts present in every region, you eliminate the potential disadvantages of cultural differences. The barriers are more than simply language-based; they extend to customs and business ‘rules’ that most foreigners never even notice. The benefit of native experts is that they are naturally geared to operating in those ways, so as a company, we can have strong relationships in every region.

When foreigners go into other countries without knowledge of how the negotiation or pitch process works culturally, even though they adapt language capabilities to communicate effectively, they will inevitably miss out on deals that would normally come their way.

This is something that I noticed in the Alcatel-Lucent Enterprise business. We were well positioned in a number of tenders, but were not pulling through the revenue that we should be. The reason was that we didn’t have the right people in the room. In Spain, Catalans like to deal with Catalans; in France, what you say outside the room is as important as what you say when you’re round the table; in the Middle East there are many local customs that it’s essential you pay respect to.

It is impossible to find one person who can switch between these different cultures and more. It is far easier to find people in each individual country. This was my approach in taking on the EMEA region – and we have seen significant growths across almost all local offices.

BV: You mention in your article that localisation is the key to succeeding within the Euro region – however don’t you think the role of centralisation and localisation change over time?

TE: Most companies switch every 3-5 years between the two approaches which is healthy for calibration purposes. Sometimes you need the expertise and scale that centralisation provides, however, you also need hands on information regarding local languages and cultural, and the requirements of the two may change over time.

BV: Does this approach work across the world – surely some regions may prove difficult to get local skills?

TE: Yes – if you take the Middle East, it is difficult to get the local talent, nevertheless, you need a local sponsor. What we end up with is a lot of expats for the technical skill sets and locals for relationship engagement. In the Middle East we use quite a lot of Lebanese people, they have an English / French education, although understand the culture and speak Arabic. Alcatel-Lucent is sponsoring quite a few of these people on executive MBAs, helping them bridge the western business system with the Arabic one.



Second: people on the ground are available immediately

Not only do local employees know how to do business in their native environment, but they are also on the ground and ready to go: last minute meetings, informal visits and visibility in the locality are all important to giving customers and partners the security that you're there with them.

Whether we're working with systems integration partners or direct, part of our value proposition is that we work in partnership with the end customer. As a company, we have a vision for establishing a Dynamic Enterprise and our customers strongly buy into this roadmap for real and lasting change in their business. Once we have worked with customers to build this vision, it's important that we're there with them to help them develop it.

It also makes dealing with a customer very easy. Something that's becoming evident in customer relationship management is that if you make things difficult for customers – if they have to put in a lot of effort to get things done with you – then they'll become disloyal. If things are easy, they will be more loyal.

Third: do things with a handshake

The combined effect of knowing customs and being there with them is that you can build a strong business rapport, which is beneficial for a long term relationship. To be able to seal an important deal with a handshake is a strong signal that you're committed to the project you're jointly embarking on.

This strong understanding helps to develop loyalty. This loyalty is not just born out in their willingness to speak with you and even to recommend you to other colleagues – though these are both undoubtedly very valuable benefits to building a strong relationship. More than that, if you can establish this relationship with customers, they will spend more and they will re-purchase from you.

BV: Is the “handshake” approach you mention appropriate, given the strong corporate governance pressures on business today?

TE: As you know, you need to give away a lot of control within a localisation model, but you still need strong compliance policies, processes and procedures set by central office. You need a lot of training; just having a policy does not make it happen. You need a zero tolerance approach to compliance, and especially corruption. You need people with deep legal and finance skills to implement appropriate controls. I would say however, that many organisations underestimate the risks of compliance and corruption within Western countries and get fixated on Asian countries.

BV: Has the mixed heritage of Alcatel and Lucent helped?

TE: Well in the beginning it caused some “hiccups” and it took some five to six years to transform the business and culture and for this heritage to be seen as a real strength.

BV: What impact do you envisage the Euro-crisis having on your business?

TE: We are very strong in Europe, but to be honest I have no idea what will happen in Europe – however, I believe that Alcatel-Lucent has a very strong proposition and will actually gain market share – we are not looking at retrenchment but using advanced analytics to built market share in Europe.



A company of two cultures

We have followed this approach in the re-development of our EMEA operations. We have reduced down the number of North American ex-patriots from over 75 to around 10-15. This has enabled us to set up new teams in the Middle East, Spain, Eastern Europe and Turkey, amongst many others. In turn this has enabled us to build and maintain customer pipelines and business partnerships on a local level and has seen a tremendous uptake not only in the number of tenders that we are involved with, but the success that we're delivering our vision. In Turkey, we are really seeing massive sales increases this year because of the 2010 work that the local team has put in there. We have secured a major contract with a leading computer terminals company, which would not have happened without the team on the ground.

The EMEA team is an integration of two previously separate operations in Alcatel-Lucent Enterprise and Genesys. The re-evaluation of the EMEA region was done, in part to help these two disparate sales and product development teams to work together. Our vision for the future of the enterprise – one that's shared by the major analysts – is one that can develop a solution using products from both sides.

So this localisation approach was all done while integrating two businesses with their own distinctive cultures. I realised that to build and maintain sales momentum in every area, we need to adapt our approach to local requirements. Developing a strong but open minded management approach that allows this to happen has proved very valuable in allowing our two businesses to successfully integrate.

This is to say that local approaches cannot be prescribed. Developing local offices with a formula for how to do things is just the same as having a central office....just more costly. The key to establishing a successful localised operation is to evaluate each local team individually. You must have a philosophy for how you want your company to develop, but that approach will manifest itself in 128 different ways across the whole region.

Learning from personal experience

I have always believed, culturally, that face-to-face is the way to establish relationships. The irony that my company delivers video conferencing and enterprise communication solutions is not lost! These tools are important to make collaboration quick, easy and effective – factors which all impact financial performance.

However, to establish and build strong relationships requires you both to be in the same room. People hold strong cultural stereotypes – this is something that exists for everyone – and we all need to work harder to understand cultural nuances and then abide by them. This has become even more apparent to me as an American in Europe – because once people hear the American accent, they tend to put up defensive barriers! It emphasises just how important it is to build local cultural capital as a central part of a decentralised team.





This article has been written by Tom Tom Eggemeier. Tom is GM of Alcatel-Lucent Enterprises European.

Its purpose is to challenge current thinking, stimulate debate and start a dialogue towards further understanding of internationalisation and the cultural differences that manifest themselves in business deals and relationships.

Op2i
London
+44 (0) 207 193 4339
www.Op2i.com
bharat" dot" vagadia "at" Op2i "dot" com

Tom was interviewed by Dr Bharat Vagadia on Wednesday 7th December 2011.

We are keen to hear different views, perspectives and thoughts from those involved with internationalisation and cultural alignment and investment.

Yours humbly,

Dr Bharat Vagadia

