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Psychoanalyzing The Global Company

a cross-functional approach of international business strategy

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“Globalization of a company” may always sound very “sexy” to the ears of shareholders because of the new markets that the firm will reach, however the process is far from being an easy task. Companies that are not “born global” start out by exporting products abroad, which is generally defined as an “international” strategy. The ideal situation for any cross-national company lies at another end, a “transnational” strategy that provides a quasi-perfect balance between local responsiveness and global integration. The theoretical path from one of these “cross-nationalization states” to the other resembles the upstream journey of a salmon, tempted at any time to drift towards the shores of a complete globalization (maximum global integration at the cost of local response) or a complete multi-domestic approach (the opposite, maximum local response at the cost of integration). The most common pattern of evolution happens first towards the multi-domestic state, followed by a globalization state in an attempt to counteract the disadvantages of high local responsiveness (e.g. increased costs because of duplication). But how the company chooses to focus (or at least should) is a function of the company’s history and growth, thus a complete and immediate shift between any two of the four states would be impossible by mere organizational inertia. For example some elements, such as improved local response, may not be achievable without the implementation of a successful organizational learning process. This inertia mainly comes from the need to recognize the pulling forces of two different organizational functions, namely marketing and management.

The traditional marketing process focuses mainly on understanding consumer behavior, the underlying assumption being that desire for a product cannot be created but only reinforced by leveraging an existing need or want. Sometimes a product devoid of any functional use (i.e. a “pet rock”) can be sold solely based on its symbolic attributes (i.e. “be trendy”), which may not always be evident for a non-buyer. However, because marketing focuses on the consumer, the “ultimate marketing machine” would be able to cater a customized product to each individual in the marketplace. This focus on relationships would make marketing a “feminine-oriented” discipline; hence it could be defined as the organizational “anima”, using the etymology of Jungian psychology. On the other hand, management focuses on driving a company in such a way that ensures shareholder value maximization, as well as long-term survival of the firm (the latter of course being a function of the first). Their role is to define the firm’s strategic intent and architecture, recognize and develop comparative and competitive advantage, and maintain

comfortable financial margins. The “ultimate management machine” would be a company that can control its culture, conversion process (input to output), and architecture in such a way that the conversion cost is very low and yields as many units of output as possible. The management drive towards the rationalization of its value chain makes it a “male-oriented” focus; we could thus call it the “animus” of the firm. Since the firm does not have a physical gender, it can have both an animus and an anima, although its “gender” would depend in how much each one is developed, as can be measured by the Hofstede’s dimension of femininity vs. masculinity. And exactly like the anima and animus of human psychology, those of organizations will evolve in time as the company reinvents itself to gain or maintain comparative competitive advantage.

	Animus	Anima
<i>Focus</i>	Rationalization	Relationship-building
<i>Hofstede’s tendency</i>	Masculinity	Femininity
<i>Most important function</i>	Management	Marketing
<i>Advantage definition</i>	Comparative/Absolute	Competitive
<i>Strategic Predisposition</i>	Globalization	Multi-Domestic
<i>Example (from cases)</i>	ABB	Koç Holding

Note: “predisposition” indicates a natural tendency, not an ideal strategy.

Note2: Initially, Koç Holding may have lacked a marketing strategy, but the solution to its issues was in defining it rather than implementing a managerial reorganization strategy.

It follows that management appears as mostly inward-oriented, whereas marketing is mostly outward-oriented (of course both have interactions on the two dimensions, the difference lies in the implementation of solutions). Thus it is likely that the management “dream” would be to push towards product standardization, in order to enjoy as large an economy of scale as possible, whereas the marketing “dream” would be to push towards product adaptation, to the individual level if possible. It follows that true leaders have to control both management and marketing techniques in order to succeed: they need to balance the inward “globalization” pressures with the outward “local” pressures. In order to do this, organizational leaders define strategic intent describing their vision, and impose a culture that (they hope) would serve their needs. This of course requires a Change Management program that can be lengthy and difficult to put in place. However, this strategic intent ultimately defines how the company is seen from outside, because it defines how the company will interact with the outside world. Furthermore the manifestations of company culture (unusually salient employee behavior for an outside

observer) are an external manifestation of how the company responds to its strategic definition. These manifestations could thus be called the “Ego” of the firm.

On the other hand, not every employee or manager understands the vision of the company leaders, at least at the first stages of implementation. There is a natural drive to maximize personal gain in good faith, with the intention of serving organizational goals (if not it could potentially lead to counterproductive or even illegal behavior). For example, at the beginning of the Procter & Gamble case, the local subsidiaries were driven to compete against each other, but only because they saw it as a way of maximizing their profits (which is their individual responsibility). These local needs are a natural and almost biological occurrence since they are acted out based on individual perceptions. They thus constitute part of the company’s “Id”, and are a potential source of problems if the signs from the “Ego” are not interpreted.

The last element of the Freudian triad, the “Superego”, also takes form inside a company but in two different aspects: the “Ego-Ideal” is how executive management sees their own company, which of course could be very different from an employee-level perception. Finally the “Conscience” is what balances the Ego and Id by providing clear indication of what is desirable or not through, for example, incentives for a given behavior.

Psychoanalyzing the Global Enterprise: the organizational psyche

<i>Id</i>	Real Company Culture. Personal/Local Profit maximization Local efficiency maximization (e.g. disregarding downstream inventory)	Drive for inter-divisional competition. Short-term objectives. Informal Management Networks.
<i>Ego</i>	Formulation of Strategic Intent (i.e. how it is communicated) Relationships with client and suppliers Manifestations of Company Culture Bureaucracy of Structure (e.g. meetings, memos, etc.)	
<i>Superego</i>	<i>Ego-Ideal</i>	Strategic Architecture (structure) Long-term objectives Desired Company Culture
	<i>Conscience</i>	Performance measurement Incentives and rewards Information systems for knowledge sharing

The choice of Freudian terms to describe intra-organizational phenomena is not without implications: the implied proposition is the fact that in order to successfully implement a globalization strategy, a leader has think like a psychologist and understand every aspect of his company’s “psyche” (composed of both physically tangible and intangible components). It is only once this process is done and the symptoms are detected that any strategy can successfully

be executed. The “Ego-Ideal” is merely how we define the company structure, culture and strategy, in hopes of obtaining performance in the current context. The main basis for the proposed description is that this ideal is not, in most cases, how things turn out to be in reality. This divergence occurs from the existence of forces that drive for self-interest and shortsightedness that should not be ignored or repressed (since they are natural), but rather put into use in a more effective way through the “Conscience”, the control mechanisms. To summarize, when analyzing and redefining a Global firm, we need to consider the effect of the Id in the company’s performance, which is a function on how the existing Id responds to the Superego. This response can be inferred from manifestation, i.e. the firm’s Ego.

The major influencing component of the Global firm’s Id would be local culture. When a new company structure is put in place, how well it is accepted or followed may strongly depend on the compatibility of the company culture with the national culture (e.g. whether or not they rank in similar dimensions in Hofstede’s scales), and in case of discrepancies, how much the acculturated locals are open or closed to external influences. We could assume that most employees will prefer doing things in “their way” since they would be convinced from experience that their methods brings rewards or are aligned with their local vision of what is beneficial for the firm (and therefore for themselves). A way to address this Id element would be allowing for ownership of decisions and implementing a “learning race” culture, which would drive national subsidiaries to develop absorbency and transparency in order to become more competitive, enhancing the overall core competency portfolio of the firm. This is exactly what Procter & Gamble has implanted in Europe: while keeping the profit-center approach for each of its subsidiaries, it has reconfigured the chain of command in such a way to introduce the management of pan-European brands, and give control of (at least) one brand to each subsidiary. In such configuration, each subsidiary must be willing to share information with other subsidiaries in order to become as competitive as possible. The added benefit of this configuration is that intra-company competition is mostly eliminated. Thus P&G successfully modified its Conscience in such a way that its Id was driven to achieve increased synergy. On the other hand, ABB’s existing matrix configuration (which supposedly should support learning) had control mechanisms that promoted competitions between subsidiaries. Therefore all of the three

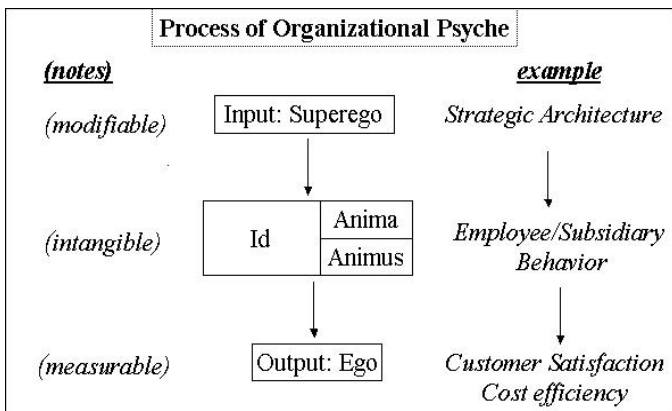
stimuli from its Id, the Conscience, and the Ego-Ideal were conflicting, resulting in a schizophrenic Ego of sub-optimal and highly bureaucratic communications.

However the ABB case also demonstrates that influences to the Id can also be a solution to existing problems: one way to make a “bureaucratic” matrix organization successful is to create an environment in which the appearance of “management networks” is favored. These are informal relationships that naturally occur when two managers (or employees) from different areas or functions of the company know each other and share information that can benefit both parties. This creates opportunities and solutions for existing problems, answers that may be made invisible by the high “bureaucracy” that a matrix structure requires. Two elements are required for these networks to appear: information systems, designed for organizational knowledge transfer, and manager development (e.g. cross-functional training in a centralized location). The first acts as a part of the firm’s conscience because it can be a repository of “best practices” that managers can refer to, however both elements are “tools” to leverage a change into the company’s psyche (which is why they are not included in the “psyche” chart above).

When facing a change, one of the firm’s major challenges also appears out of the Id: sometimes a certain amount of creative destruction is required for the company to reinvent itself. In such situations there are always going to be parties disagreeing with the new cultural and/or organizational redefinition, mainly because they are threatened by either a loss of responsibilities or the lurking specter of possible lay-offs. It would be irrational to expect such alienated individuals or divisions to act in accord with the new Superego. Therefore when the leaders decide that transitioning from one “cross-nationalization” state to another is required, they need to analyze the Id of their existing company to better drive its results. For example, some companies are rumored to avoid real lay-offs. They announce that they will reduce their workforce by a certain amount, which has two effects: first, shareholder confidence is maintained when the economy is depressed, and second, the announcement itself initiates an “attrition” process: some leave the company because of their perception that they will be laid off if they stay. When enough employees have left, the company merely announces that the workforce is now at an optimal level and no further layoffs are required, enhancing shareholder confidence and stopping the worries of employees. However such a tactic can only be employed

if one is confident enough that he or she knows how the organizational Id will respond. Another example of Id influence can be found in the Komatsu case: when the focus was changed from “beating Caterpillar” to merely “being the best we can be”, an organizational inferiority complex had been destroyed, allowing the new redefined company to outgrow its previous incarnations.

Sometimes the transition can be done with minimal restructuring, which will have the benefit of circumventing the opposition from Id influences. For example, P&G reconfigured its chain of command, and could eliminate cost redundancy without resorting to layoffs or plant closures. On the other hand, there are extreme cases in which layoffs are the only solution. However, this is not a decision that has to be taken lightly following an Animus desire of quickly reducing costs. A lay-off process will result in a major organizational trauma that will negatively affect the firm’s Id. For example, it will determine how the “surviving” employees will perform in the new company, or their amount of loyalty. Indeed, an employee fearing to be unjustly (but legally) kicked out of the door is not likely to have a drive to help the organization succeed. On the other hand, a firm also has to curb its Anima desires of adapting all it can, since it could duplicate costs in many locations. When adapting local products, the company has to assess what is an enduring need and what is likely to change. Also, because the exterior attributes of a product are more likely to require local adaptation than its interior features, there are two implications: first, a company should seek to maintain a core competency regarding the interior features (e.g. optical components), and standardize its production, while adapting the exterior features (e.g. camera case, etc). The way that exterior features are combined with the core competent internal features defines a value proposition (e.g. budget vs. high-end cameras) that can then be marketed as a product. The anima and animus, i.e. the inclination towards management or marketing, can thus influence the Id to different extremes. The successful globalization strategy has thus to create a Superego that balances not only the interactions of the Id and the Ego, but define the desired importance of the animus and anima as well.



(As a final small disclaimer, I should point out that there is a limitation to the suggested model, as it draws from human (individual) psychological theory to describe the interactions of an organization (a group). Thus the parallels between the “firm’s psyche” and the individual mind as described by Freud and Jung are mostly figurative, as a tool to understand interrelationships between the different pieces of the company puzzle).