Identity Crisis

What Is the Corporate Center’s Role in a Globalized Business?
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What Is the Corporate Center’s Role in a Globalized Business?

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Accelerated globalization means that executives must manage two speeds, one for slow-growing, mature markets and one for rapidly developing economies. The corporate center must step up to a new role: finding the right balance between autonomy in multiple local markets and global platforms that drive cost and scale advantages.

Many companies are struggling with local versus global tradeoffs because their centers remain detached from local units. BCG’s recent survey of executives at large multinationals shows that most are slow to respond to local-market opportunities and are not fully tapping the knowledge of local teams. Their corporate centers fall short in communicating with local units and providing effective systems and tools.

Success in penetrating and expanding in RDEs will require companies to determine their own particular sources of global competitive advantage and then adapt their organization to make the most of those sources. BCG’s approach goes all the way down to the activity level to determine which part of the organization should make decisions about an activity, which should execute the activity, and which should lend support.
The corporate center has undergone several major role changes over the past 50 years, from imperialist to financial planner to lean activist. Now it must change again, in response to the imperatives of globalization. Many companies are struggling to adjust to this latest challenge.

Globalization of customers and supply chains began several decades ago, but the pace has accelerated in recent years. The spread of low-cost digital technologies has enabled far-flung operations to more easily communicate with one another, and the rapid growth of middle-class populations in countries including India and China has spurred demand for a broader range of goods and services. As a result, penetrating markets in rapidly developing economies (RDEs) heads the agenda for multinational and domestically focused companies alike, especially now that the economies of many mature, developed nations are mired in slow or no growth.

For executives, globalization involves the tricky task of managing two speeds, one for mature markets and another for RDEs. (See Exhibit 1.)

Confronting the Two-Speed Economy

Simply put, in mature markets characterized by slow growth, optimizing operations for efficiency tends to be the dominant management priority. In RDEs, by contrast, companies are pursuing high-growth opportunities. Western-based multinationals are trying to establish or improve their positions in these less familiar environments, which are characterized by fast-evolving consumer priorities and segments and volatile political and regulatory regimes. Multinationals are also contending with disruptive local challengers that started from low-cost positions and have been moving up the food chain to offer higher-quality yet still affordable products.

The rise of the two-speed world requires a new role for the corporate center and a new approach to managing the network of local operations. Each company will need to determine its own particular sources of global competitive advantage and adapt the organization to make the most of those sources. In most cases, that means companies should delegate more power and autonomy to local units so that managers can quickly detect and act on signals of change and experiment frequently—not only with products and services but also with business model adaptations.

Yet local adaptation is not a license for “anything goes.” Globalization also favors scale in many endeavors. Entrepreneurial drive at the local level thus needs to be balanced by global integration and consistency. Companies will still want to be...
rigorous about overall strategic guidance, enterprise-wide standards, and cost synergies and controls.

As a result, the traditional tradeoff between local autonomy and central control takes on new importance. For multinationals, finding the right balance will be a decisive factor for success in the next phase of globalization.

Many Companies Don’t Feel Prepared

To better understand the extent to which companies are prepared for this challenge, The Boston Consulting Group (BCG) recently surveyed 120 senior executives at large multinationals headquartered in developed markets. The survey shows that adapting to the two-speed world is proving difficult. Fully 96 percent of the respondents identified growth in RDEs as a top or high priority, but only 13 percent said they believe that their organization is well prepared to succeed in RDEs. They indicated that they worry about the lack of RDE experience among senior management; only one-quarter of the 20 most senior executives at each company surveyed have even one year’s experience working in RDEs.

At the heart of the matter, companies are struggling to balance the tradeoff between local autonomy and global coordination; only 7 percent of those surveyed...
said their organization has the right balance. This tradeoff is critical to manage: if staff at the corporate center hold decision-making power but do not have the knowledge at hand to make smart decisions about distant markets, for instance, they will continually need to ask their local colleagues for more information, causing a series of delays.

Not surprisingly, then, survey respondents expressed concern that local adaptation is not happening fast enough; the two areas cited as most ripe for improvement were speed in responding to local opportunities and using the knowledge of local teams. Further, fewer than one-third of survey respondents said their company’s center performs well in enabling international recruiting and talent development, listening to business units or local teams in order to recognize local trends and needs, and using and providing effective systems and tools.

As one executive noted, “Emerging markets need to be treated as a second home and not as an exploration of markets and places far away.”

In a two-speed world, companies must confront a variety of challenges:

- **Speed.** How can companies ensure fast, effective decision-making as well as consistency and timely coordination across time zones?
- **Complexity.** How can they cope with an array of different local-market requirements and business models, especially when operating in sometimes ambiguous and competitive environments?
- **Risk.** How to better anticipate and respond to sudden market shifts and cope with volatile political and economic environments?
- **Culture.** How to integrate staff with diverse backgrounds and implement cultural norms and expected behaviors consistently across the globe?

Addressing these challenges and seizing the opportunities afforded by globalization will hinge on a close working partnership between the corporate center and local and regional units.

When referring to the “center,” we don’t necessarily mean a company’s physical headquarters or classic administrative corporate functions but any type of global center with business responsibility and competence, be it a global business-unit center or the global steering unit of an operational function. For example, a hair-care-products division might be overseen by a global brand- and product-management center that has decision-making rights on matters such as pricing and product launch as well as profit-and-loss responsibility.

Some industries, such as food, have a greater need for localization than others, such as airlines. But whatever the operation in question, companies cannot afford to perpetuate a center that is disconnected from local-market priorities. One German manufacturing company’s head of strategy for China, who responded to our survey, put it this way: “Can you imagine that the engineers sitting in headquarters under-
stand Chinese customer needs and market specifics? We need to educate them and radically change their mindset, although that is difficult.”

The Difficulties of Global Expansion
Two extreme patterns of management behavior can upset the balance between the center and local units, and derail efforts to realize sustained growth in RDEs.

At one extreme, the center overregulates local operations and fails to adapt to local markets. As an example, a mobile telecommunications operator suffered from this problem of excessive central control, until a new management team took over and substantially diversified the international experience of its senior ranks, thus loosening the reins on the local units.

At the other extreme is the common mistake of acquiring a local company and leaving it to fend for itself. One European consumer-goods company expanded into India through an acquisition but neglected to forge a strong connection between the acquired company and the corporate center. The center rarely attempted to understand the Indian market or connect with its own local organization and so never tapped the local team’s knowledge. That small Indian unit remained at a disadvantage relative to competitors such as Unilever, which provided far more support to its Indian operations. The European company wound up selling its unit in India and retreating from the country.

Between those two extremes lies another misstep that companies often make in pursuit of tantalizing RDE markets: an ad hoc approach to each market with no coordinating structure. Imagine that a company establishes a sales and marketing presence in an RDE to import existing products from the home country. Its powerful center wants to provide support but hasn’t prepared itself by exploring local priorities or seriously thinking about how the organization structure must change. As it expands globally, the company still has a bias toward its home market, so various local operations have to fight for internal resources, with the center making case-by-case decisions. One survey respondent summed up the consequence of such an ad hoc approach: “After six years, we are still unorganized in dealing with China.”

By contrast, a strong, focused, yet lean corporate center can help to create competitive advantage in a two-speed world. Successful globalizers such as Unilever, General Electric, and Infosys are managing multiple business models and striking the appropriate balance between the global benefits of scale, standardization, and coordination and the local imperatives of empowerment, speed, and innovation tailored to local priorities and circumstances. Their centers also serve as knowledge hubs, gathering the best ideas and practices of local operations and informing other parts of the company. (See the sidebar “The Habits of an Effective Corporate Center.”)

Framing the New Balance of the Center and Local Units
As companies penetrate further into RDEs while defending their position at home, many are trying to redefine the role of the center. What’s needed is a straightforward yet comprehensive approach to help companies make smart tradeoff decisions...
and set the boundaries for functions and business units, fitted to each unique circumstance.

BCG has found it effective to work through a sequence of steps:

- Determine how much adaptation the business model requires in each new market.
- Uncover the key sources of global competitive advantage.
- Define the role of the center and the organization structure—center, regions, and local levels—accordingly.
- Incorporate the new structure into a new design of functions and activities on global and local levels.

On the surface, this sequence might resemble a classic portfolio-strategy approach, which defines the role of the center according to the level of integration of the various businesses. What’s different is that a two-speed world adds layers of global complexity. Companies will have to coordinate potentially more business models for different product markets, different geographic markets (even different local markets within one country), and different rates of technological and competitive change.

**THE HABITS OF AN EFFECTIVE CORPORATE CENTER**

| The structure and activity mix of corporate centers vary widely, depending on company strategy and business model as well as the number and complexity of local operations. But in BCG’s experience, several common characteristics stand out among all highly effective centers: |
| They have a clear role and focus on the most value-adding activities, with the business units helping to define what adds value. |
| They stay close to local operations through frequent communication and by maintaining outposts where a physical presence matters. |

| They assemble a center staff with broad diversity and a global mindset. |
| They are selective about pushing common standards and best practices across the organization. They balance enforcement of standards with flexibility in fitting practices to the dynamics of a local market. |
| They ensure that everyone speaks a common language, but they don’t mandate what information is exchanged. |
| They foster collaboration at the central, regional, and local levels. |

**DETERMINE WHERE AND HOW TO ADAPT BUSINESS MODELS**

The first task is to determine what combination of business models is required for global expansion. A specific, discrete opportunity in a particular R&D might not
require the complete reinvention of a company’s business model. But some degree of business model innovation is essential in most cases, because of the characteristics of many RDEs: lower purchasing power, different competitive ecosystems, geographically dispersed consumers with varying priorities and expectations, and often a rapidly changing infrastructure and regulatory regime.

At the very least, elements of the business model may have to be redesigned to become lower-cost, allowing a company to meet the price points demanded by most consumers in RDEs while maintaining margins. But other elements of the business model that a company might take for granted in mature markets, such as distribution, will likely require adaptation and innovation as well.

The center can play a useful role here by leading and moderating the discussion on how to manage different business models, how to mitigate the risks, and how to connect the dots among locally adapted models. That means determining which platforms (in areas such as brand, manufacturing, and procurement) should be common across the enterprise and which will need to be modified for new markets. To gauge the appropriate degrees of freedom, the center will need the right information, the ability to derive insights from those data, and strong execution capabilities—all of which combine to produce smart tradeoff decisions.

Common platforms can be enormously powerful when wielded effectively. A few brands, such as Coca-Cola, have the benefit of being recognized globally. They can leverage global marketing campaigns and, when the product itself is standardized, global supply chains. But most brands will not resonate in all markets, especially where local brands are entrenched or where lower price points might erode the equity of a premium brand. Elevator manufacturer Otis is thus trying to protect its high-end brands and at the same time facilitate growth in RDE markets including China by developing a range of products under different brands (Sigma, Xizi Otis, and Express) tailored for different segments.

Common manufacturing platforms look increasingly attractive as a way to produce cost-competitive goods in RDEs. For decades, Ford Motor Company tried to develop global vehicle platforms, but its feuding regional operations almost always resisted the standardization. Soon after Alan Mulally arrived as president and CEO in 2006, he made global-platform development a high priority. Starting in early 2012, Ford will use a common set of parts and components to make at least ten different vehicle models for sale in North and South America, Europe, and Asia. By standardizing parts, Ford expects to produce a raft of new, lower-cost vehicles that it can sell in RDEs including China and India.¹

**UNCOVER THE KEY SOURCES OF GLOBAL COMPETITIVE ADVANTAGE**

The center will need to do more than allow business model adaptation for each RDE; it must also identify the sources of competitive advantage common to the different models. This has become a more complicated exercise than it was one or two decades ago.

Companies once tended to plan their international strategies in incremental steps—expanding into Mexico, offshoring production to China, or opening a call
center in India, for example. Such moves were driven exclusively from an operational center, taking home-country products and business models into new locations and targeting consumers who closely resembled those in the home country, such as affluent consumers living in the largest cities. The underlying philosophy was “oneness,” which could leverage the classic advantages of scale, efficiency, and strategic planning. Companies such as McDonald’s, ExxonMobil, and Intel excelled at this approach.

With globalization now entering a more intense phase, the power of oneness is receding. RDEs not only have grown in importance but also have become more heterogeneous, with many distinct submarkets and consumer segments. Success now favors a philosophy of “manyness,” drawing on diverse skills, systems, product offerings, and business models. Competitive advantage relies less on scale and efficiency; rather, it flows more from adaptation, agility, anticipation, and experimentation.

“Manyness” favors a corporate center that can coordinate and interconnect multiple business models. Leaders in “manyness,” no matter where their headquarters, adapt and localize their business models to target new groups of consumers, and they find ways to integrate those different business models to share best practices and achieve synergies. Global advantage, more often than not, will now consist of a mix of four sources of advantage:

- **Market access**, or penetration of various locations, consumers, and categories
- **Local adaptation**, tailoring products, intellectual property, and capabilities intelligently with the goal of addressing local needs and reacting quickly to shifts in the market
- **Resource access**, including talent, raw materials, knowledge, and other assets
- **Network coordination**, leveraging economies of scale and scope as well as best practices, disseminated to all nodes of the network

A company’s current and desired mix of these four sources varies, of course, by the type of company.

In BCG’s survey, respondents reported gaps between the importance of the four sources of global advantage and their company’s current performance in making the most of those sources, with both metrics ranked according to respondents’ perceptions. The largest gaps appeared in local adaptation, especially speed and local knowledge. (See Exhibit 2.)

The most successful companies maximize all four sources of global advantage, promoting local flexibility while also benefitting from scale. Their centers make order out of chaos: they orchestrate multiple local markets while maintaining a firm grip on select global platforms. That makes their business-model portfolio, with its local and global components, difficult for competitors to imitate.

The centers of the successful multinationals orchestrate order out of chaos.
Define the Role of the Center and Adapt the Global-Organization Structure

Taming chaos in a global organization is not easy, because it involves a high level of complexity management and resolution of tensions between the center and local nodes. After determining its key sources of competitive advantage, a company will need to restructure the global organization accordingly.

To do so, it is useful to conceptualize the multiple dimensions of the center in the form of a pyramid. (See Exhibit 3.) The dimension at the top (“strategy and vision”) sets the course for those beneath it (beginning with the broad area of “mandates and governance”), and all dimensions work together to support the company’s chosen business models:

- **Strategy and Vision.** The overall organizational vision must be defined on the basis of the chosen strategy. It serves as a blueprint that includes regional, divisional, and local elements. The vision defines the role the corporate center must play and the way the center can support the chosen strategy.

- **Mandates and Governance.** To execute the strategy, the center determines the operating model, mission, and scope of the center and the regional, divisional, and local layers. This exercise includes determining the authority structure and degree of centralization for key activities and decisions.

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**EXHIBIT 2 | In Honing Their Global Advantages, Multinationals Struggle Most with Speed, Local Knowledge, and Talent**

<table>
<thead>
<tr>
<th>Performance gap along sources of global advantage</th>
<th>Local knowledge</th>
<th>Speed</th>
<th>Talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic direction</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging markets</td>
<td>23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mature markets</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local freedom</td>
<td>28%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local knowledge</td>
<td>30%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Speed</td>
<td>37%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Talent</td>
<td>23%</td>
<td>28%</td>
<td>22%</td>
</tr>
<tr>
<td>Capital and services</td>
<td>24%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Partnerships</td>
<td>18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>12%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Culture and Interfaces</td>
<td>20%</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Nodes and capabilities</td>
<td>27%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average of all respondents: 24%

**Sources:** BCG global survey of 120 senior executives at large multinationals; BCG analysis.

**Note:** The performance gap is calculated as the relative difference between perceived importance and perceived performance ratings along each dimension (Importance - Performance) / Importance.
Those two overarching dimensions then filter through four operational dimensions:

- **People and Behaviors.** In this dimension, a company determines required skill profiles and the caliber of personnel and establishes behaviors and mindsets to be emphasized.

- **Organization Design.** Required reporting structures, accountabilities, and resource levels are included here.

- **Processes, Systems, and Tools.** Processes to manage platforms and spread best practices across the organization must be established. Proper systems and tools will ensure that information is available where and when needed in order to generate insight, monitor execution, and minimize the cost of coordination.

- **Vendors and Sourcing.** Although governance of a company’s core functions should, by definition, remain internal, some supporting services may be better provided by external suppliers with specialized capabilities or cost advantages, especially in RDEs.

The dimensions discussed here must be managed in concert to build high-performing corporate centers and local units. Excelling at just one or two won’t be sufficient. Fixing processes alone, for example, will have a limited upside because it neglects the effect on people and culture, a shortcoming that could undermine the proposed process solution. It takes the commitment of senior management—along with the cooperation of multiple departments—to address the issues holistically. However, the aspects of mandates and governance are most important for determining which activities the center should undertake.

Determining the structure of the center will flow from the degree to which a company emphasizes common platforms and global integration. The spectrum of choices can be expressed as center “archetypes.” (See Exhibit 4.) If competitive advantage will be generated from global integration, common platforms, and

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**EXHIBIT 3 | The Sources of Global Advantage Help Shape the Structure of the Organization**

Sources of global advantage
- Brand leverage
- Sales-force excellence
- Best-fit business models
- Locally optimized resource mix
- Technology excellence
- Raw-material access
- Employer brand
- Global supply-chain excellence
- Global manufacturing network

Organization dimensions
- Strategy and vision
- Mandates and governance
- Processes, systems, and tools
- Vendors and sourcing

The source mix determines the structure of the organization

Source: BCG analysis.

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shared capabilities, the center should take a more functionally operational role as a hub that directly steers operations throughout the network.

By contrast, if management emphasizes a locally driven strategy, the network will benefit more from a business-developing center that disseminates best practices, provides shared services, and fosters collaboration. Here, the vertically integrated center would not interfere much with the actual operations of the businesses.

Role archetypes drive the choice of functions to be centralized. BCG’s survey highlights some overall schemes: respondents said that sales is the most localized function, and mergers and acquisitions is the most centralized. The degree of centralization also varies by industry. The survey finds that technology, communications, and health care companies generally have a greater degree of centralized functions than do financial and consumer goods companies. In an organization with disparate business units, the scale benefits of centralized functions might be compelling if a function is asset intensive and covers many business units. Similarly, specialized expertise such as litigation, media buying, and infrastructure engineering should cluster centrally.

This type of structural analysis should be done at the activity level, not just at the functional level. One European operator of fashion retail outlets that was expanding internationally realized that defining the optimal balance of centralization and localization was critical. Working with BCG, the company undertook an assessment and decided that for virtually all activities, the center would define strategy and guidelines; the local level would execute; and back-office functions would be centralized, with minor local-level support.
Within the fashion retailer’s marketing function, for instance, channel management activity shaped up like this: the center would define strategy and guidelines for website design and coordinate with IT; local units would make their own merchandise websites on the basis of local requirements, but within the preset framework, and manage the display of product assortment.

For these and other activities such as branding, market intelligence, and customer service, the company made explicit the hierarchy of decision making: who is responsible, who is accountable, who is consulted, who is informed, and who provides particular types of support.

The center must also excel at the lower dimensions of the pyramid—having the right people, processes, tools, and so on. In this regard, BCG’s survey highlights several areas most in need of attention. Respondents reported the three aspects of these dimensions with which companies struggle most (see Exhibit 5):

- **Execution and Delivery.** Respondents perceive that interfaces between the center and other nodes of the organization are often inefficient or ineffective.

- **Rapid Decision Making.** Many companies lag in making decisions because the center is too removed from local units.

- **Talent Development.** Many multinationals have not developed a robust global-talent pipeline or global-staffing model. Centers will struggle to understand specific RDE requirements if their staff lacks firsthand experience in RDE markets; to be accepted and make progress in an RDE, the local staff should possess local know-how and experience.

These deficits suggest that no matter what the organization chart looks like, many multinationals remain skewed toward their home base in their processes and daily interactions. To truly live and breathe a global approach, companies may need to redesign their corporate center.

**REDESIGN CENTER FUNCTIONS AND ACTIVITIES ON GLOBAL AND LOCAL LEVELS**

Drawing up an effective functional design for the center can be tricky for multinational companies because it’s not always obvious how to determine the right level of aggregation, how to cluster countries, or how best to position resources within a global network.

Before sketching out a new organization chart, it’s important to clarify the roles of the center functions (such as finance, IT, marketing, and procurement) through a series of “role charters.” The main question to be addressed here is the extent to which the center should get actively involved in the operations of the lower levels: should it only define global policies and guidelines, or should it provide tools or certain services?

Leadership accountabilities should be clearly defined in the role charter of each function. The goal is to put an end to turf wars and achieve greater organizational
efficiencies. On the basis of the definition of functional leadership at the center, one can outline the tasks of the lower levels, ranging from budget authority and performance evaluation to standard setting and compliance control. It’s important to incorporate effective means of communication that include fast feedback through committees, roundtables, or formal planning and review sessions. And because effective communication hinges on a collaborative culture, companies should make sure that employees interact with different parts of the organization, through job rotation, joint target setting, and joint training.

Explicit definitions can have a bracing, positive effect. Consider the case of a global technology company that experienced severe pressure on revenues and margins. It needed to wring efficiencies from its saturated core businesses and exploit new opportunities in RDEs. The company’s center suffered from having a vague role and focus, a bloated staff whose number was well above benchmarks, and numerous redundancies with the local units. Not surprisingly, divisional and country leaders viewed the center as a value destroyer.

Working with BCG, the company clarified its functional-leadership model, limiting its center to a steering-only function to promote standardization and sharing of best practices while giving more autonomy to local units. This paved the way for a downsizing of the center and simplified interactions between the center and the network of local and regional units.
Once the role charters are written, those charged with restructuring the organization can consider selective use of both regional centers and shared-service centers.

Regional offices that cluster multiple local markets can improve efficiency while minimizing diversity within a company. Having 15 heterogeneous markets would generate complex logistics and make it difficult for senior management to devote enough attention to each market. The regional alternative clusters the local markets into three to five subgroups with common consumer characteristics, competitor sets, geographic proximity, or channel development. This can be accomplished through mechanisms including topic leaders and regional councils.

Nike has chosen to distribute functions through regional centers for operations, in addition to sales offices in countries. Nike’s world headquarters in Portland, Oregon, oversee all functions except manufacturing. The company’s Europe, Middle East, and Africa headquarters in Hilversum, the Netherlands, oversee strategic planning, finance, marketing, IT, HR, sales, and logistics for that region. Asian markets are clustered and served by two centers in Hong Kong—one that handles all operating functions for apparel, and another that handles operating functions for footwear.

Cisco has taken a different approach by establishing India as its Globalization Center East in 2007. Bangalore thus became an effective second headquarters for the company, whose primary headquarters are in San Jose, California. The Bangalore center employs 7,500 people, and more than 20 percent of global senior leadership is now based in India, including Cisco’s chief globalization officer. Some 700 patents have been filed from Bangalore, and soon roughly half of Cisco’s global R&D will be conducted in India.

Whether they enable or control, the most effective regional centers act as a sort of two-way permeable filter between the countries and the center. Savings result from best practice and automation and should substantially outweigh the initial costs of physical colocation.

Turning to shared-service models, these traditionally have been used for noncore activities such as call centers, computer support, cash management, and drafting of legal contracts. They can be structured at the business-unit or local level (for, say, a retail bank that has smaller services at remote locations), at the center (for procurement or treasury functions), or as a freestanding unit serving the entire organization. Each type of structure has tradeoffs, of course, so a company should understand which choice would provide the greatest advantage.

Embracing a Global Talent Mindset

The balancing act that underpins success in a two-speed world will require top talent both at the center and on the ground locally. As companies penetrate new markets, they’ll encounter increasingly distinct and demanding consumer segments, putting a premium on employees who have a deep understanding of the new markets and competitors and who excel at collaborating with colleagues from different cultures and social backgrounds.
At the local level, companies can improve the mix of talent on several fronts. First, they would do well to hire an experienced local HR director, who in turn could recruit a mix of both high-potential and experienced local candidates to form local leadership teams. To diversify the mix of experiences and viewpoints and to avoid the cloning problem that plagues many companies, it pays to access hidden talent pools and use innovative recruiting methods, such as targeting second-tier schools and using expatriates sparingly.

The corporate center, meanwhile, will have to manage a proliferating number of locations, product variations, and supply partners. Leaders at the center will need a truly global mindset, which includes taking a more adaptive and collaborative approach than the command-and-control style that dominated much of the twentieth century.

Assembling a team of top talent will be essential to the success of the corporate center. Talent will also need to be organized appropriately, with roles and mandates that best support local teams. It’s all about finding the right balance of local autonomy and central efficiency—an ongoing challenge for companies that are simultaneously trying to optimize their business models for, say, both Nuremberg and Nagpur.

NOTE

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