



A useful checklist for board and executive team discussion

1. Identify ways your national cultural heritage is an invisible influence, shaping your organisational culture, its systems, processes and practices.
2. Given your industry context and strategy, are these subtle expressions of national culture enablers or derailleurs?
3. Audit the health of your organisational culture. Check it is not stagnating. Make sure it aligns well with your business goals.
4. Analyse the culture-based strengths and weaknesses of JV partners. Invest in early action to address potential mismatches.
5. Bear in mind that skill sets from a previous growth stage may not be an asset as you move into a new phase, with different challenges.

WHY INTERNATIONAL JVS SO OFTEN FAIL TO DELIVER ANTICIPATED VALUE

The invisible influence of national culture

In the 1990s, the US supermarket giant Walmart was the biggest retailer in the world. It was cashed up, with almost 4,000 thriving stores in the US alone, and ready to make its first foray into Germany - a country where the retail sector was notoriously weak. Walmart's strength was that it could rapidly open a new store that ran just like all the others. There was a streamlined, agreed process for virtually everything. They entered the German market by buying two existing chains to remodel, giving them a head start with 100 well-located stores and a large customer base. But it was a disaster. The American (Kansas-style) staff behaviours were rejected by both customers and employees. The cheery smiles and 'have-a-nice-day' greetings were viewed as hypocritical and profoundly 'un-German'. Walmart famously lost millions and had to withdraw, selling out to a (German) competitor.

No competent board would consider an expansion or JV without a thorough financial due diligence. But many will still do what Walmart did in Germany - fail to do a cultural audit to help foreshadow what might need to change to suit new counterparts and new customers. Walmart did learn from their German disaster. They now stress the importance of cultural insight and adjustment. In one small but telling example, in China Walmart sells fish live, directly from tanks, not dead on the slab.

All national cultures have strengths and weaknesses

The cultural challenge for business is not simply the fairly easy one of 'When in Rome, do as the Romans.' As many strategists remind us: Rome collapsed, defeated by far less technically advanced northern tribes who seized the right moment to attack. The seeds of Rome's eventual failure formed part of the rationale for its earlier success. No cultural profile is all good or all bad. In fact, every culture has strengths that can benefit a JV, if managed astutely. And every culture has weaknesses that could derail success, if they are not tackled.

Think of the impressive rise of Toyota: a globally dominant car manufacturer in fewer than 30 years. It did things differently, creating the Toyota Production System, a lean manufacturing method based on the very Japanese values of order, consistency and clear hierarchies. These traits gave powerful advantages when it came to long term planning in a large, mature company. But they also left Toyota weak and vulnerable when an unexpected crisis hit. They lacked the agility and innovation to respond smartly to safety problems with their car brakes and took a serious financial hit, as a result. Businesses need to maximise the advantage of cultural strengths and mitigate the risk of cultural weaknesses - a new skill for many top teams.

Jugaad - a uniquely Indian attribute

This colloquial Hindi-Urdu term refers to an innovative but frugal work around, a smart fix. It describes the Indian ability to make do, bend the rules, and get to a result despite meagre resources. It's increasingly accepted as a management technique in its own right, a kind of frugal engineering. Many global organisations with Indian subsidiaries, or in a JV with Indian partners, lean into this Indian strength and use it to deliver a competitive advantage, especially in a start-up phase. It can deliver agile work practices uniquely suited to complex local conditions. But when an organisation moves into a more mature phase and seeks efficiency of scale through shared processes, Jugaad can become a disadvantage. Now the company might want to confront Indian lack of process, disorganisation and endemic corruption. At the very least, an acceptable compromise might need to be found between national cultural preferences and the strategic demands of the business. What is an advantage at one stage of development can derail at a different stage in the business growth cycle.

Organisations are affected by their national heritage

Ideas about everything from management systems to leadership attributes tend to be culture-bound. These unconsciously held mental models have a profound impact on the everyday assumptions that define 'how we do things round here'. For this reason, organisations need to bring their specific cultural heritage to conscious attention, if they are to use it appropriately and to their advantage. In practice, this means that the astute global player will analyse what skills and capabilities are required in their particular strategic context, instead of simply assuming that 'West is best'.

The cultural profile of your JV counterparts may offer you some unique advantages that make good business sense to utilise - if you are insightful enough to recognise the potential. Or a hybrid local-global approach might be your best bet, if you need to co-ordinate efforts across national boundaries. Or, thirdly, perhaps your own national culture preferences carry a sound business or technical rationale in your particular circumstances.

Whatever your decision, let it be a conscious and culturally savvy one, rather than one that is fraught with ethnocentric assumptions. An analysis of JVs that failed to realise their hoped-for value frequently reveals management approaches characterised by cultural blindness. The board and the executive team did not factor in the impact of their own and their counterparts' cultural strengths and weaknesses. The same applies in emerging economies. Chinese entities, for example, are beginning to accept that it doesn't work to focus solely on keeping costs low and imagine that culture will take care of itself.