



"THOUGHT LEADER GLOBAL", 11TH CORPORATE STRATEGY EXECUTION FORUM, AMSTERDAM, OCTOBER 3RD & 4TH, 2019

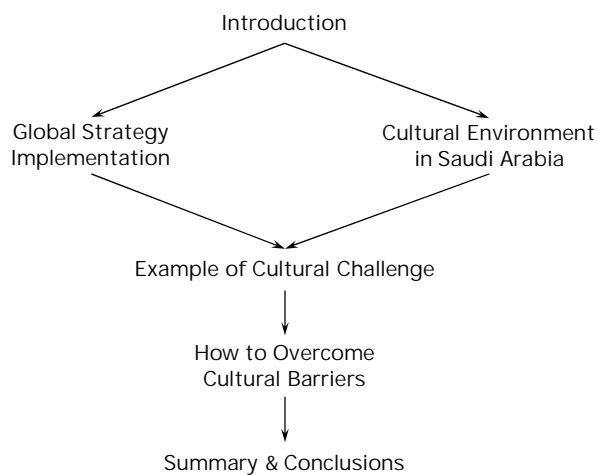
Implementation of a Global Strategy in a Challenging Cultural Environment

Anton Tremp, ABB Switzerland - just back from Saudi Arabia

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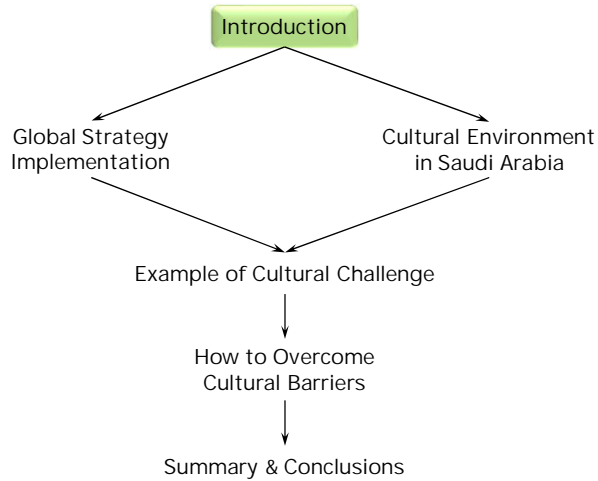
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Introduction

Motivation

- Strategies in multi-national companies are often defined at corporate headquarters or similar central organization, often in a western country ...
- ... but the implementation of the strategy has to take place in the global subsidiaries, which may be distributed across different continents and cultures.
 - the closer the culture of the subsidiary to the culture of the corporate headquarters, the easier the implementation will be from a cultural perspective.
 - even in companies with a strong corporate culture, which is prevalent in the different subsidiaries, the subsidiaries will still be embedded in a local culture.

"Culture Eats Strategy for Breakfast", attributed to *Peter Drucker*

- Thus, what happens if the local culture of a subsidiary is in direct conflict to the culture, which was assumed when defining the strategy ... ?

Introduction

ABB - a global technology leader in power & automation

Power Grids
JV with Hitachi*



Electrification



Industrial Automation



Motion



Robotics &
Discrete Automation



33% Asia, Middle East and Africa

31% Americas

36% Europe

\$29 bn revenues, **110,000** employees**

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* Planned Closing of JV with Hitachi : June 2020
** in 2018



Introduction

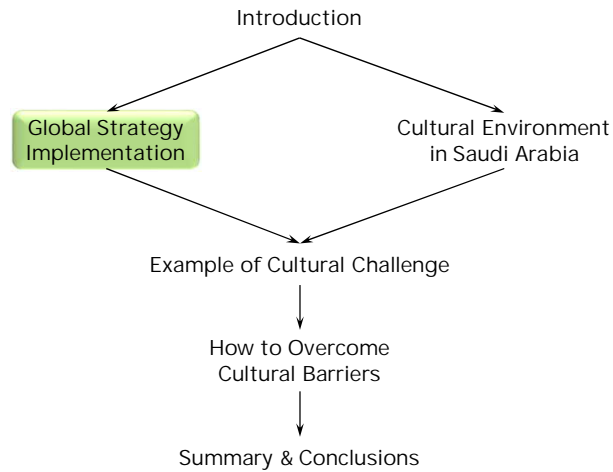
Anton Tremp

- Last 3 Years as Local Business Unit Manager for 'High Voltage Products' in ABB Saudi Arabia
- 2 Years COO for Gas Insulated Switchgear in ABB Switzerland
- 9 Years with Siemens Building Technologies Division
 - Lead Strategy Implementation Projects like Turnarounds, PMI's, Restructuring, ... of Siemens subsidiaries abroad
- 4 Years Partner in a Private Equity Company
 - Investment Management & Board Member for high-tech companies in CH, EU & US
 - a.i. CEO of a software company during a turnaround
- 14 Years in the Electrical, Security & Software Industry
 - mainly in General Management as well as in Marketing & Sales Management
 - additional experience in R&D, Project Management, Finance & Controlling
- Worked in 8 countries so far (CH, UK, FR, NO, GR, US, IN & SA)
- Guest Lecturer at University of St.Gallen and for various companies
- B.Sc. in Electrical Engineering, M.Sc. in Computer Science (US) and Executive MBA, Uni. of St.Gallen

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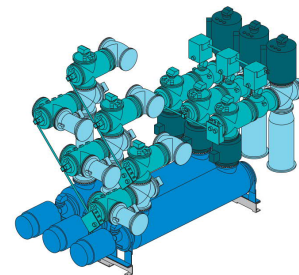


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Global Strategy Implementation - Scope & Baseline
Gas Insulated Switchgear Business in ABB

- Gas Insulated Switchgear (GIS) is used at High Voltage levels (range of 70 kV to 420 kV, in special cases up to 1'200 kV)
- Customers are Utilities and large Industries - globally
- Historically, mainly delivered from factories in Switzerland and Germany
- Strategic need to be closer to customers in main markets, as well as using cost-optimized manufacturing :
 - set-up of local factories as a 'production network'
 - with market responsibility in China, India and Saudi Arabia
 - and for modules in Czech, Bulgaria and China
 - based on Lean Principles, which ...
 - ... were also implemented in the factories in Switzerland & Germany



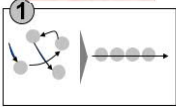
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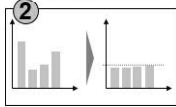
Global Strategy Implementation - Approach Lean Principles as a Strategic Element

Requires a 'Continuous Improvement Process'

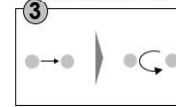
Flow principle



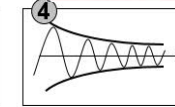
Takt principle



Pull principle



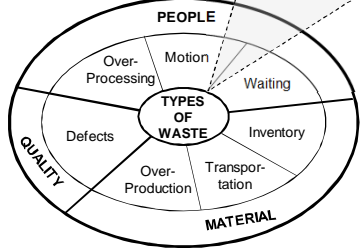
Zero defects principle




Basic Principles of Lean Production

A Lean Approach not only requires a specific set-up of production, but first on all it also requires the 'right' mind-set and the work needs to be organized accordingly.

7+1 Wastes to be avoided

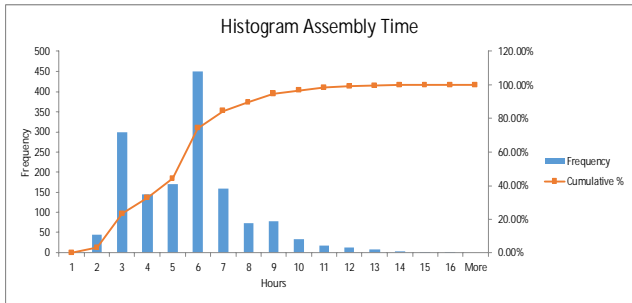


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Global Strategy Implementation - Approach Challenges due to Lean Approach

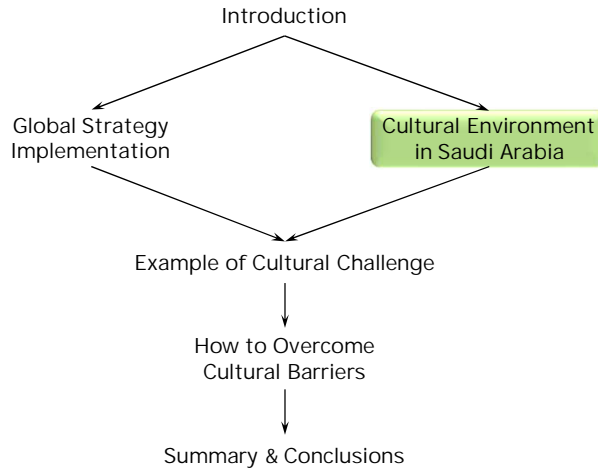
- GIS are engineered, customer-specific solutions and manufactured 'Made-to-Order'
- Lean as a principle is mainly used for Serial Production and in case of MTO Production a specific implementation is required
- The large Variety of Assembly Times for the required modules made it even more demanding :
 - putting additional conceptual demands on the team responsible for the implementation
 - an effective CIP - Continuous Improvement Process - becomes in particular crucial, as the Lean Principles have to be implemented in view of the specific requirements and have to be continuously improved to reach an optimal result



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Cultural Environment in Saudi Arabia

What we typically know about Saudi Arabia ...

- Mecca and Medina - the two holy mosques in Islam are in Saudi Arabia, which follows a rather conservative form of Islam (Wahabism)
- Important Oil Industry generating 45% of GDP, with ARAMCO as the national oil and gas exploration & production company
- An absolute monarchy, founded in 1932 by King Abdulaziz ibn Saud, currently ruled by King Salman, with Crown Prince Mohammed bin Salman playing an increasingly important role
- Traditional, tribal society, with - historically - a repressive approach towards women (a lot has changed in the last few years)
- A rather closed country, not possible to enter as an individual tourist until a week ago (was only possible for business purpose, Hajj & specific events)



Cultural Environment in Saudi Arabia

But in a Business Context are much more Important ...

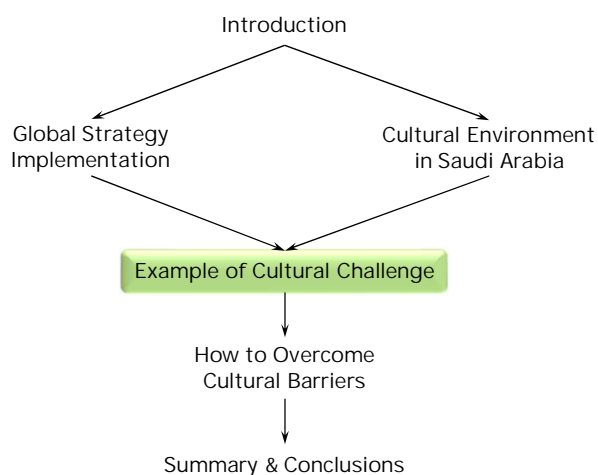
- 'Barakah' - the religious belief that the result of an endeavor mainly depends on the closeness to God (Allah) and not on own actions
 - focus on 'today' & limited planning
 - limited learning from past difficulties / mistakes
- 'Hierarchy counts' - 'the Boss is ALWAYS right'
 - to maintain a good relationship is more important than facts
 - NO criticism - neither direct nor indirect - is allowed
- An entire generation 'spoilt' by the oil-based wealth
 - often limited willingness to 'go the extra mile' or to leave the own comfort zone
- Self-interest driven ethic with focus on own advantage
 - often limited intrinsic motivation



'Insh Allah'



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Example of Cultural Challenge Faced with
How to introduce & develop a 'Continuous Improvement Process'

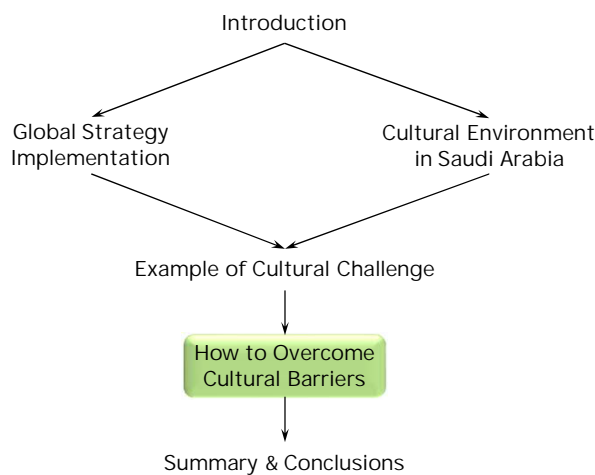
- Continuous Improvement Process is one of the most critical cultural element in a Lean Approach
- Continuous improvements are based on feedback regarding issues and ideas of potential improvements from all the employees, requiring:
 - an open culture and environment allowing such feedback without any fear of potential retaliation
 - an interest to make improvements



- A culture, which puts a lot of weight for the outcome of an action on the support of a Divine Authority
- An environment where feedback - often perceived as criticism - is not appreciated and people are afraid of negative consequences
- Limited willingness to make an extra effort



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How to Overcome Cultural Barriers

Change in leadership approach as the basic foundation

- Traditionally the leadership approach in Saudi is very much hierarchy-driven
 - increasing level of 'Push' - 'Push' - 'Push' is the only way to get something done
 - all decisions have to be made or at least confirmed by the manager
 - a manager is 'entitled' to be abusive
 - creates a destructive 'vicious cycle'
- Need to implement a different leadership approach based on mutual trust ⇒ a 'blended' version of Transformational Leadership
 - focus on motivation & communication
 - 'Walk the Talk' / be reliable
 - pay attention to individual needs & perspectives
 - provide intellectual insights & challenges
- Additional dedicated effort on development of leadership skills in mgmt team
- Transparency, openness & being approachable, e.g. introduction of quarterly 'Townhall Meetings'

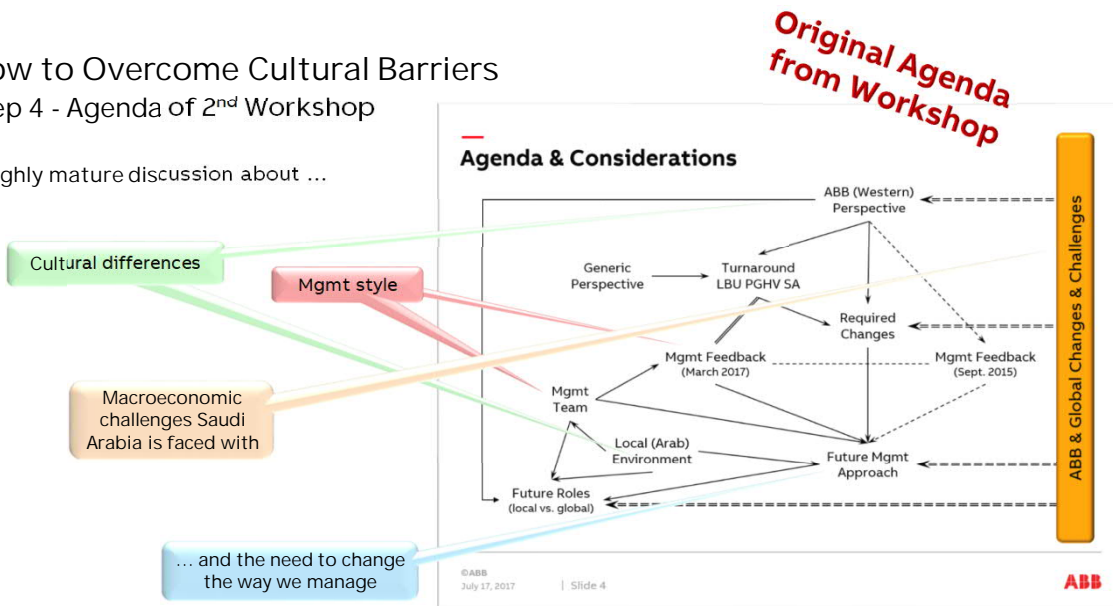
How to Overcome Cultural Barriers

Allow criticism as an accepted form of feedback

- Step 1 (6 months) - started with the management team (= direct reports) to ask for feedback and encourage criticism regarding my own actions
 - ⇒ Complete Failure ! NO improvement achieved
- Step 2 - 1st workshop, where all direct reports were **forced to give criticism** in a structured form, and which was afterwards reviewed in the team, but everything in a fully protected and anonymous way
 - ⇒ only timid criticism, but it was a good start and showed that it was possible with no retaliation
- Step 3 (4 months) - letting the mgmt team to grow into this new practice and to let them develop sufficient confidence
- Step 4 - 2nd workshop, where we openly discussed / worked on :
 - cultural differences between the Western and the Arab world
 - differences in Mgmt Style
 - the macroeconomic and business challenges we were faced with
 - what a suitable future mgmt approach would be - incl. the introduction of a Continuous Improvement Process

How to Overcome Cultural Barriers
Step 4 - Agenda of 2nd Workshop

A highly mature discussion about ...



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How to Overcome these Cultural Barriers
Step 5 - Introduction of CIP Sessions

- Weekly Sessions, every Tuesday at 13:30 (with no exception), 'mandatory' participation
- Started with short presentations about any form of improvement - no formal requirement, except structured PPT
- Used these sessions bi-weekly to address business matters, behavioral issues, macroeconomics, ...
- Over time reduced my own activities
- Step-by-step a more structured approach in terms of content and scope



In the early phase we had to ask the people to join, later on they were waiting in front of the door ...

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How to Overcome Cultural Barriers

Other subjects where cultural elements played a major role ...

- Reliability and accuracy of [financial] reporting & forecasting
- Adherence to Health & Safety rules / building up a safety culture
- Recruitment process with focus on merits
- State-of-the-Art 'tools' for project management
- Semi-annual training plan as part of strategic business & develop plan
- Annual salary review as a joint effort by the management team
- Annual performance review and target setting, which is more than 'box-ticking'

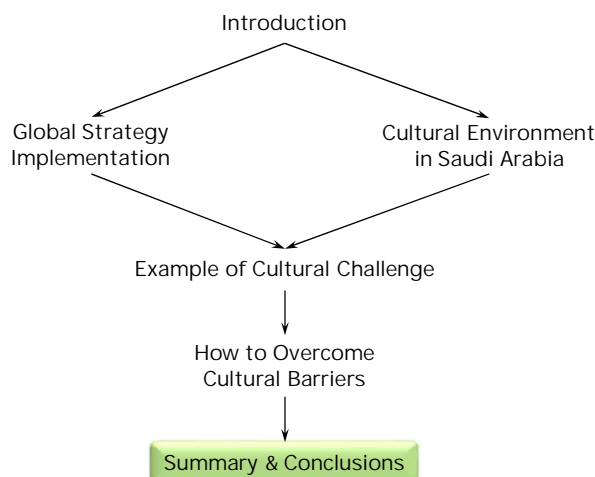
Degree of Implementation



... and many more subjects, we have worked on as a team ...



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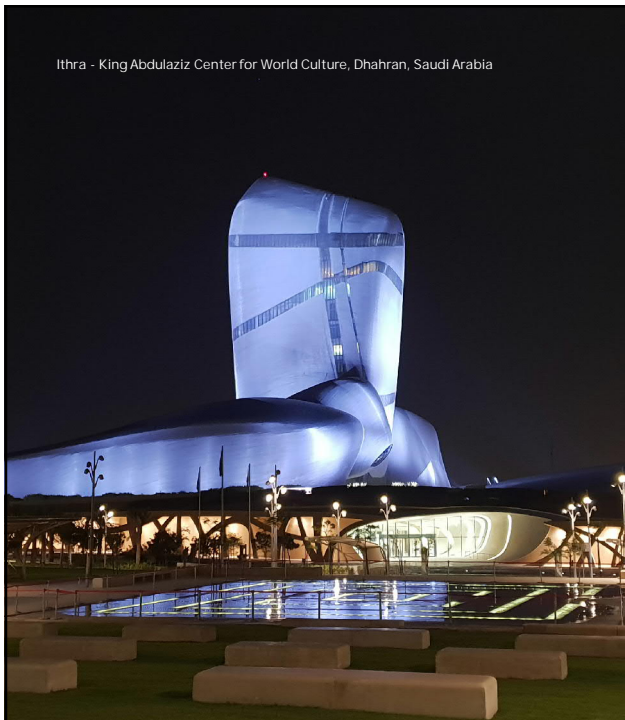


Summary & Conclusions

- Despite the presumed 'unbridgeable' differences in culture, it was possible to develop the local corporate culture to a sufficient extent, such that a 'western' approach could be implemented despite its 'alien' nature. But it required :
 - bringing in a viable leadership approach, creating and sustaining the necessary mutual trust
 - a considerable effort in developing leadership skills in mgmt team
 - a consisted and tightly-managed implementation program at the content level... and served the organization well on the way forward, but at the same time limited the options for succession planning at management level.

A humanistic, western type of Transformational Leadership - blended with some local elements - yields exceptionally good results also in an Arab environment :

- high employee motivation and improved retention
- business results above expectations



Ithra - King Abdulaziz Center for World Culture, Dhahran, Saudi Arabia

Thank you for your attention

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