

McKinsey Global Survey results

Managing at global scale

Executives at global companies are satisfied with their organizations' overall capabilities, but see room to improve in innovation and motivation. Better leaders are the key.

Executives at global companies say their organizations have relatively strong capabilities in some areas that are critical to global operations, such as culturally flexible leaders and helpful processes for entering markets and managing risk, according to a new survey.¹ But the data reveal room for improvement of some crucial capabilities, including high employee motivation, which only about half of executives at global companies say is true of their organizations.

The survey asked executives which regions their organizations operate in, how much of their revenue they earn outside their home countries, and a series of questions about structures, processes, and culture relevant to companies with global reach. In addition to the overall findings on operations, the results highlight some strengths and weaknesses that vary depending on how global a company is. For example, a relatively high share of executives at companies that operate in more than one region and outperform their peers say their organizations' ability to create networks across the company is a source of competitive advantage, while those at successful global organizations that operate in only one region highlight their relative strength in motivating employees and providing them with

¹ The online survey was in the field from September 13 to September 23, 2011, and garnered responses from 4,666 executives representing the full range of regions, industries, company sizes, tenures, and functional specialties.



a compelling work experience. In addition, executives who report that their companies became global through organic growth (as opposed to M&A) report greater strength in areas where, in our experience, global companies tend to be fairly weak, such as communicating a clear vision across the organization.

Finally, regardless of company types or how well executives think they're performing now, respondents indicate that developing leaders who are culturally and functionally proficient across regions is a key to more effective multiregional operations.

How global companies manage

Overall, respondents at all kinds and sizes of companies report fairly strong capabilities in processes and functions such as managing risk, creating networks across the company, and building effective relationships with governments (see Exhibit 1, as well as sidebar, "Key to full wording of survey statements"). There are, however, areas where executives at many companies see room to improve—notably, in allowing divisions or regions to contribute their own insights to the innovation process and in offering workers a compelling value proposition.

Exhibit 1

Capabilities in global management

% of respondents who agree with each statement about their organizations, n = 4,643

Government and community relationships	63	Global and regional leadership	57
Internal networks	62	Clear strategy	54
Innovative product development	61	Highly motivated employees	53
Information and communication technologies	61	Added value in corporate center	51
Sustainable roles	60	Risk-management infrastructure and skills	47
Helpful global processes	59	Compelling work experience	47
Standardization and flexibility	57	Inclusive innovation strategy	44
Cross-cultural leaders	57		



Sidebar

Key to full wording of survey statements

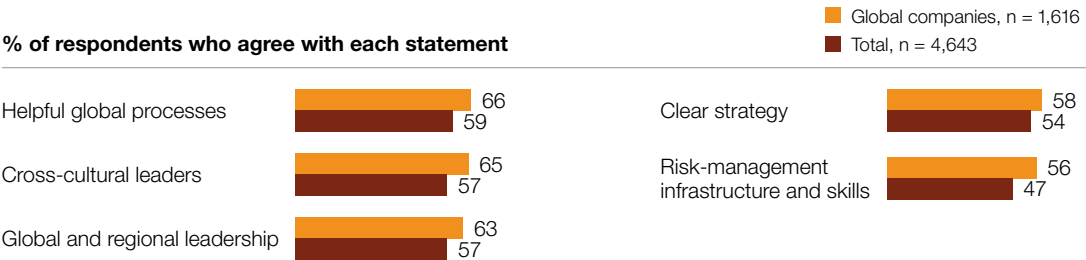
Added value in corporate center	Our global corporate center adds real value to activities of divisions and/or regions.
Clear strategy	We communicate clear strategy to employees in all markets where we compete.
Compelling work experience	Working for our company is equally compelling to employees in all markets where we compete.
Cross-cultural leaders	We cultivate leaders who can work in different cultures, regions, or divisions.
Global and regional leadership	Our most senior leaders split attention appropriately between global and divisional or regional issues.
Government and community relationships	We build relationships effectively with governments and local communities where we operate.
Helpful global processes	Our most important global processes help manage complexity when entering new businesses or regions.
Highly motivated employees	Our employees are highly motivated in all markets where we compete.
Inclusive innovation strategy	Our innovation strategy uses insights from across divisions and regions.
Information and communication technologies	We use information and communication technologies effectively to capture benefits and minimize challenges of global operations.
Innovative product development	We are good at developing innovative products and/or services that meet customer needs across divisions and regions.
Internal networks	Our ability to create linkages across divisions, functions, and regions is a source of competitive advantage.
Risk-management infrastructure and skills	We have the right risk-management infrastructure and skills to support the global scale of our operations.
Standardization and flexibility	We achieve an appropriate balance between global standardization and local flexibility.
Sustainable roles	Our most senior leaders manage responsibilities so their role is sustainable over time.



We focused most of our analysis on global companies, defined as those respondents say derive more than half of their revenue from outside their home countries. Executives at these organizations tend to say their companies are more effective at operating globally than others because they have processes that allow them to scale up and enter new markets more easily, the right risk management infrastructure is in place, and executives work well across cultures and split their time effectively (Exhibit 2).

Exhibit 2

The global-company advantage



²Executives who ranked their companies as high financial performers compared with peers since the beginning of the global financial crisis rated their companies higher across the board in their processes and structures. This is not in itself notable, since people at organizations with good financial returns tend to rate their organizations highly in other areas as well. Comparing two high-performing groups, however, is useful.

We then looked at how executives' views vary according to the scope of their organizations' operations. Among them, we found two groups: those whose organizations operate in more than one region and those whose organizations earn revenue from many regions but operate in only one. Within both groups, we also singled out executives by their organizations' level of financial success: those who say their organizations have been outperforming competitors since the beginning of the financial crisis.² Some of the differences in assessed capabilities are intuitive, such as the finding that a bigger share of executives at companies with operations in just one region say they can offer a compelling value proposition to their employees (Exhibit 3). Others are less predictable—for example, the finding that 71 percent of executives at companies with multiregional operations say their organizations are good at developing innovative products and services for customers in all markets, compared with 67 percent of those that derive revenue from many regions but operate in only one. This may indicate an innovation advantage in having people on the ground.

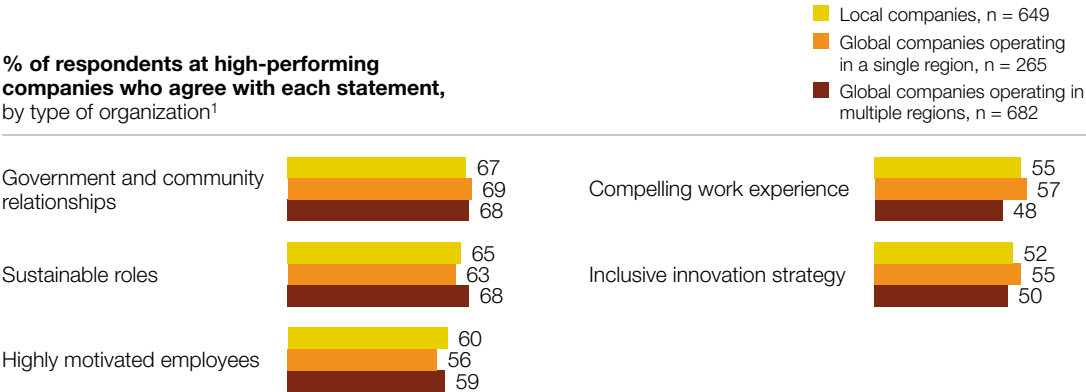
Exhibit 3
Where operational scale matters



³We defined “local” companies as those operating in one region and earning less than 20 percent of their revenue outside their home countries. High performance is, again, self-reported.

However global their organization is, respondents say that global companies are, on the whole, better able to create value than local competitors and that the extra value outweighs the extra complexity of expanding into new regions. This may partly reflect the fact that many of the local companies represented in this survey were substantially smaller (in terms of annual revenue) than those earning revenue from multiple regions. Nonetheless, there are some areas where executives at high-performing local companies³ indicate they are at least as happy as, or happier than, those at high-performing global companies, including relationship-building with governments and executives’ ability to manage their responsibilities sustainably (Exhibit 4).

Exhibit 4
Local strengths



¹Local companies are defined as operating in a single region and earning less than 20% of revenue outside their home countries; the global companies earn more than 50% of revenue abroad, regardless of their operational scale.

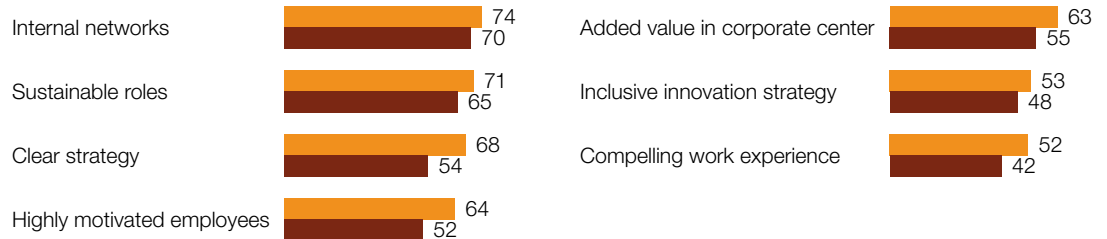


Exhibit 5

An edge through organic growth

% of respondents at high-performing global companies who agree with each statement, by primary strategy for global growth

Organic growth, n = 457
M&A, n = 193

**How you get there matters**

There are two ways to go global—organically or through M&A—and the majority of respondents to this survey say their companies did so organically. We looked again at those global companies whose respondents say they are high-performing; 66 percent of those operating in multiple regions say they grew organically, and 59 percent of those operating in only one say the same. Across the board, executives at these global companies indicate several areas where organic growth seems to be associated with an edge in performance (Exhibit 5). The differences are starkest among these high performers, but they parallel differences among all respondents. It's notable that some of these are areas where executives see all organizations as relatively weak; the stress of merger integration, these responses suggest, puts additional stress on processes that are already strained.

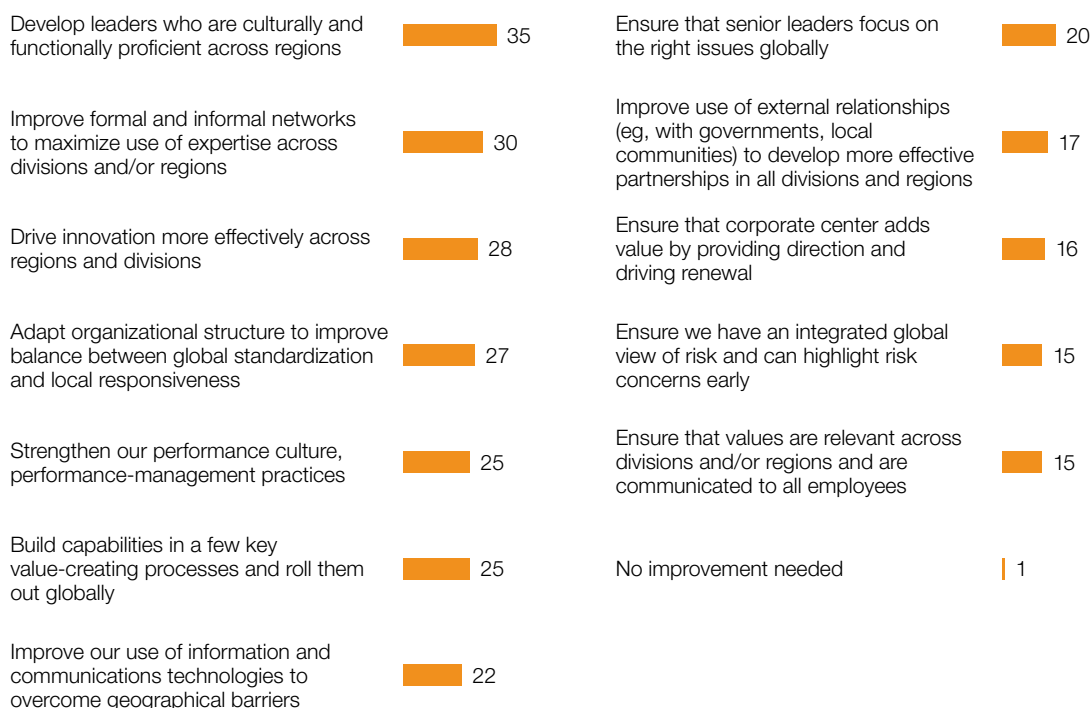


Exhibit 6

How to improve operations

% of respondents who selected each statement as a way to make their organizations' operations more effective,¹ n = 4,643

What respondents think their companies should do to improve operations



¹ Respondents who answered "don't know" and "other" are not shown.

Improvement is personal

No matter how global an organization is or how well it's performing, respondents cite leadership as a key factor for improving operations across regions (Exhibit 6). The numbers are remarkably consistent: just over a third choose developing culturally and functionally proficient leaders as an important way to be more effective globally, significantly more than select any other option. It's notable that there is some mismatch between the other top choices and some of the areas in which respondents indicate their organizations are weakest: many suggest that more focus on internal networks would help, but most executives also



think their organizations do this pretty well. And there's slightly less emphasis on improving the performance culture as a way to improve, even though most see motivation as a current weakness. This may also reflect what issues matter most to organizations—networks are more important to successful globalization than employee motivation, for example—and where they should continue to focus their efforts to ensure effective future operations.

Looking ahead

- Companies of all kinds can do a lot to improve innovation, executives indicate. Global companies may benefit from the finding that having people on the ground seems to be associated with improving companies' ability to meet customer needs in many regions.
- Improvement is possible even at companies whose executives say they're succeeding with a global strategy. The key, executives say, is to develop leaders who can navigate the cultural and functional demands of their operations.
- Executives at companies that grew organically rate themselves higher on several important capabilities, compared with executives at companies that grew through M&A. This point may be worth exploring at companies where global expansion is under consideration. 

The contributors to the development and analysis of this survey include **Kate Aquila**, **Martin Dewhurst**, and **Suzanne Heywood**, a consultant, director, and principal, respectively, in McKinsey's London office.

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