

Executive  
Summary

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## Delivering on globalisation

Globalisation is an ongoing process driven by the opening and liberalisation of markets, and by the unrolling of new technologies in transportation and electronic communication. Cumulatively, this enables goods, people, money and information to cross borders at unprecedented speed, changes the manner in which people and organisations operate, cooperate and interface (as they can pursue strategies where jurisdictional discontinuities are no longer a key structuring factor), generates price convergence across countries,<sup>1</sup> and, encourages corporations, as well as national economies, to pursue the *challenge of perpetual adaptation and modernisation*.

Despite the presence of these conditions, assessing the diverse implications of globalisation and meaningfully evaluating its long-term costs and benefits has proved confounding. Hermann-Josef Lamberti (Deutsche Bank) echoes such sentiments in these pages: "*When discussions about globali-*

1. Kevin O'ROURKE and Jeffrey WILLIAMSON, "When Did Globalization Begin?"; April 2000, NBER working paper N°. 7632.

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*sation started eight to ten years ago, corporate leaders actually did not recognise how profoundly this phenomenon would change their business practices. They obviously understood that globalisation would generate new opportunities, export markets, product demand and organisational reach. However, they only discovered later that globalisation clearly impacts their business structure such as in the way they manufacture and connect to the supply chain, and also in how customers begin demanding new services."*

This poor foresight begins to explain why some companies declined our invitation to discuss their globalisation strategy. Equally, although many businesses benefited from previous waves of globalisation, some could have been hesitant to breach the subject with us owing to the diminished future prospects of these processes. Pascal Lamy, Trade Commissioner of the European Commission at the time of our discussion and now Director General of the WTO, goes further. Companies are now reluctant to push toward more globalisation, he observes, as they *"benefit from [some] aspects of globalisation – localisation of their activities, market access, and reduced transportation costs and custom duties– but [realise that] to adjust to local regulatory constraints is more profitable than to push toward further harmonisation; the direct and indirect costs linked to the polarisation of globalisation are simply excessive."* Hence our attempt to assess the main challenges encumbering European companies as they globalise, and to discuss the 'competitive advantages' they hope to unlock in the global market.

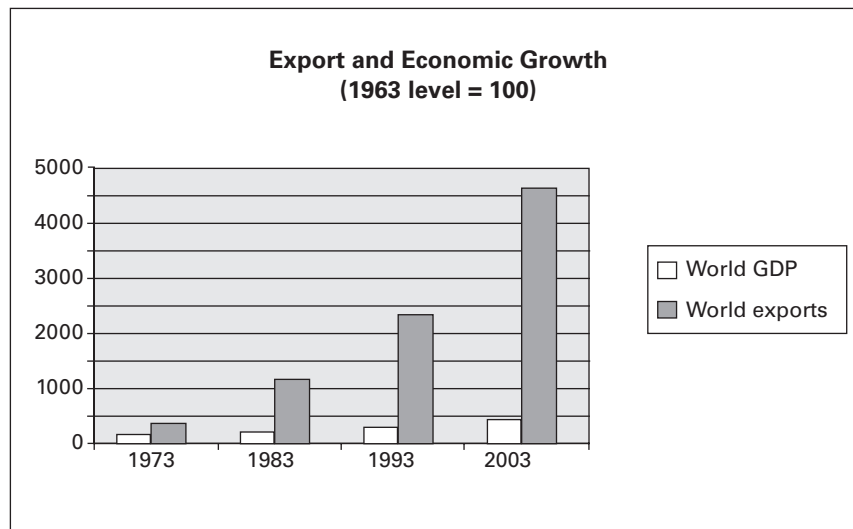
Before analysing how corporations approach this domain, it is first instructive to outline the scope of the globalisation phenomenon and the main areas of debate that envelop it. As observed by Douglas Flint of HSBC: *"Globalisation is a word that means something different to everybody you ask. Ultimately [...] this is probably a positive feature because it means people can either love it or hate it, but it sparks dynamic dialogue in either case."* The debate is important for companies, themselves, as these very advocates and critics are simultaneously their employees and clients.

## **Globalisation: facts and figures**

Globalisation is not recent. The decades leading to the First World War exhibited a rapid increase of world trade and international capital flows, as well as of world output. This was, in other words, a remarkable moment in the history of globalisation, too. World trade has, however, undergone an unprecedented

expansion since the end of the Second World War: from 1950 to 2003, trade grew by over 6% annually in real (inflation-adjusted) terms, compared with average real world GDP growth of less than 4% (see Chart 1). During the last decade (1993-2003), the share of international trade in world GDP has increased from 20% to 30%! This is the unmistakable result of the liberalisation and opening of markets as characterised by steadily declining tariffs and the onset of restrictive regulations to the benefit of companies operating overseas – fuelled, of course, by successive rounds of GATT and WTO trade negotiations.

Chart 1



Source: World Trade Organization, International Trade Statistics 2004, 237 pages,  
[http://www.wto.org/english/res\\_e/statis\\_e/its2004\\_e/its2004\\_e.pdf](http://www.wto.org/english/res_e/statis_e/its2004_e/its2004_e.pdf)

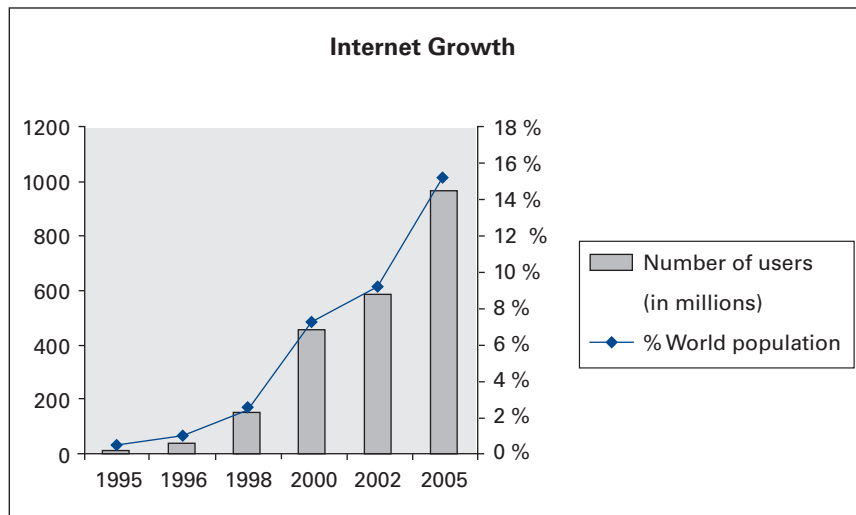
As the theory goes, by specialising in those activities for which it is best endowed (its 'comparative advantages' in the sense that David Ricardo first described), each country can achieve more efficient use of its resources and therefore higher standards of living. In reality, globalisation proceeds in a more complex manner in at least two respects. First, division of labour has occurred most spectacularly *within* sectors rather than across them, as illustrated by the growth of intra-European trade: rather than France selling only wheat, or Germany only machine tools, the division of labour that emerges among developed countries witnesses both agricultural goods and Volkswagens/Peugeots cross borders in a two-way street trade that gives customers more choice.

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Second, rather than the static picture of natural resource and skills endowments, the reality is dynamic, with companies and countries creating competitive advantages: Michael Porter has argued that firms or countries could create 'clusters' of related industries advantageous to them.<sup>2</sup>

International trade is the most visible aspect of globalisation. Yet, transport and communication statistics demonstrate that it is not the only one. Air passenger traffic has increased at over 5% per annum (measured in terms of passenger-kilometres performed) during the last 20 years, and air-freight loads have doubled over the last decade. On the telecommunication side, the revolution in information and communication technologies has changed the way people interact across borders: the cost of a telephone call between New York and London has diminished by a figure of 150 between 1960 and today; Internet, still in its infancy a decade ago, is used by more than 15% of the world population by the end of 2005 (see Chart 2), while VoIP phone service, a technology that allows free computer to computer voice communication using the Internet, is developing rapidly.

Chart 2

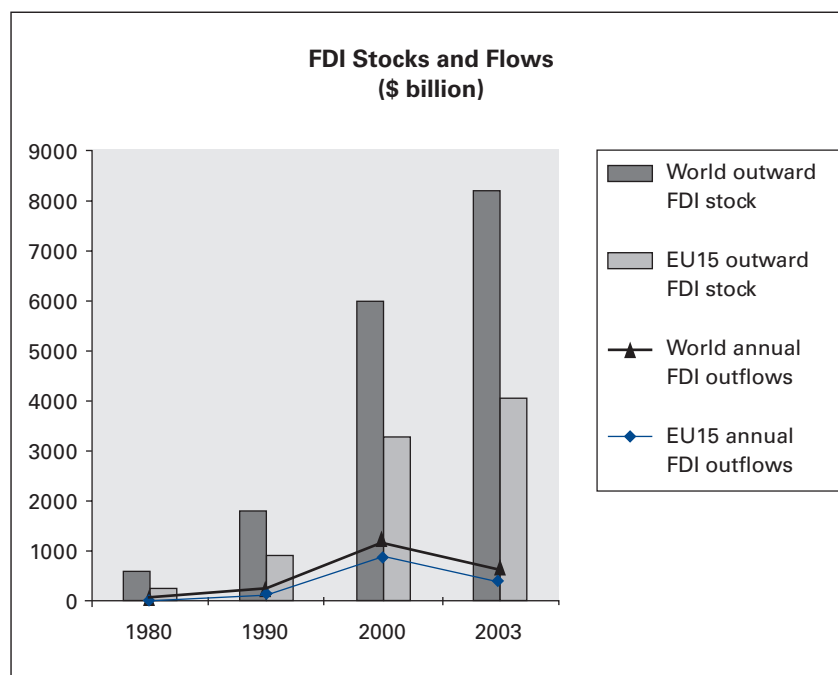


Source: <http://www.internetworldstats.com>

2. Michael E. PORTER, *The Competitive Advantage of Nations*, (New York: Free Press, 1990). Porter distinguishes 'vertical clusters' of firms linked through buyer-seller relations and 'horizontal clusters' of industries that produce for the same markets and use similar inputs (skilled labour, natural resources, technologies...)

Lastly, capital markets have globalised rapidly since the beginning of the 1980s despite the fact that 'cultural boundaries' have not disappeared, and that many investors still favour domestic, over foreign, securities and bonds – issues thoughtfully argued by Pierre Francotte in this book. Even more significant, foreign direct investment (FDI) has grown steadily, whether between developed countries or from developed to developing countries: the stock of FDI now exceeds \$8 trillion (see Chart 3). In this context, it is useful to underscore Pascal Lamy's observation that in this field, as in trade, the European unification process evokes "a laboratory [...] for an integrated global economy at large." By year-end 2003, the volume of FDI coming from European countries represented more half of the world total, while more than 57% of EU25 FDI stocks were intra-European by the end of 2001. In fact, the willingness of European companies to invest cross-border within Europe has been amplified since this juncture in anticipation of the EU's enlargement to ten new members on May 1, 2004.

Chart 3



Source: UNCTAD, Development Globalization, Facts and Figures, 2004, 119 p., [http://www.unctad.org/en/docs/gdscsir20041\\_en.pdf](http://www.unctad.org/en/docs/gdscsir20041_en.pdf)

The figures above include intra-EU FDI

## The promises of globalisation

International organisations argue that globalisation has the potential to make the world a 'better place'. As World Bank figures, among others, illustrate, the countries that have been the most open to international trade and capital flows have achieved the highest post-World War II growth-rates. By contrast, countries that attempted to grow through import substitution failed. This dichotomy is reinforced if one considers that poverty (below 1 US dollar/day) rates and headcounts in countries taking part to globalisation have more than quartered during the last two decades, while they have both increased in countries resisting, or simply not participating in, globalisation.<sup>3</sup> As advanced by the World Bank's latest *Development Report*,<sup>4</sup> "*absolute poverty has declined in the last decades – though by no means uniformly*". Sub-Saharan African countries are, unsurprisingly, over-represented in the last category.

There is also a strong positive correlation between globalisation and political freedom, as pinpointed in the fifth annual A.T. Kearney/Foreign Policy Globalization Index (circa June 2005): "*Increased integration may lead to the adoption of higher international standards for transparency, which in turn would discourage corruption and increase government efficiency*".

## The 'perils' and risks of globalisation

These 'promises' of globalisation are integral to the pursuit of a 'better world' in which resources can be fully mobilised. Yet, by their very nature and ambition, such universal promises are not preordained, nor will they be advanced without corresponding drawbacks and perils. In recent years, it is indeed those perils that have tended to capture the imagination of large segments of the world's opinion, even in the countries that prosper most substantially from globalisation's benefits. Federal Reserve Chairman Alan Greenspan explains how these affairs are unfolding in the United States: "*A significant minority, trapped on the adverse side of creative destruction, are suffering*".

3. Xavier SALA-I-MARTIN, "Why are the critics so convinced that globalization is bad for the poor?: a comment", Columbia University and NBER, October 19, 2004, Table 1.

4. *World Development Report 2006: Equity and Development*, World Bank (Washington, 2005) 336p.

*This is an issue that needs to be addressed if globalisation is to sustain the necessary public support.”<sup>5</sup>*

The exhilaration with which the failure of the Cancun WTO Ministerial Conference – in September 2003 – was greeted worldwide emphasises the severity of this schism. Three such perils must be reconciled: first, we need to marginalise the excessive levels of inequality presently creating massive numbers of losers; second, we need to prevent domino effects like those experienced in Asia after the Asian financial crisis (1997-1998); and third, we have to prevent further damage to the health of the planet, and its inhabitants.

### ***Increased economic asymmetries and inequalities among and within countries.***

A globalised world is one in which people, everywhere, are acutely aware of how their lot differs from that of others – whether ‘others’ refers to disparities with foreign countries, or whether ‘others’ are the CEOs whose pay packages and golden parachutes are perennial newspaper headlines, or the cinema icons that export the Hollywood dream into the world’s remotest slum.

Even within the ‘civilised’ context of a reunified Germany, many feel that opportunities are not equally shared. *A fortiori*, news coverage about dot.com millionaires exacerbates the despair that comes from rising unemployment and unaddressed basic social needs in many parts of the globalising economy.

Moving from perception to analysis, two views are jockeying for attention regarding whether the world is, in fact, becoming more, or less, unequal. If one uses countries as the basic unit, inequality has clearly risen. This perspective is well articulated by Amartya Sen: *“Even though the world is incomparably richer than ever before, ours is also a world of extraordinary deprivation and staggering inequality.”*<sup>6</sup> However, if one accepts the ‘billion poors’ analogy, rapid development in China, India and other large countries suggest that prosperity can still be a shared objective – and eventually, a

5. Alan GREENSPAN, «Globalisation and Innovation», Speech of U.S. Federal Reserve Board Chairman delivered on May 6, 2004, at the Conference on Bank Structure and Competition, sponsored by the Federal Reserve Bank of Chicago, Chicago, Illinois.

6. Amartya SEN, Development as freedom (Knopf, 2001).

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shared reality. This is the rationale behind the ongoing Doha Development Round of negotiations, conducted under WTO auspices, that aims at further liberalising the agriculture and goods trade so as to lift millions out of extreme poverty.

In most developed countries, delocalisation has emerged as a significant issue. This is demonstrated, for example, in the subject's centrality to recent electoral debates, whether in the 2004 US Presidential campaign, or the 2005 German elections. Pascal Lamy explains: "*All the ongoing debate on delocalisation relates to the intimate contradiction of the system: consumers are happy to benefit from low-priced products but reluctant to see work delocalised to low wages countries.*" Public opinion, it seems, is unwilling to accept official figures demonstrating that the number of jobs lost to globalisation are far lower than generally assumed, or that globalisation generates many high-skilled job opportunities in developed countries: the former grabs newspaper headlines, while the latter is just taken for granted.

### ***Domino effects***

Even for developing countries that have otherwise successfully integrated themselves into the global market and reaped benefits through accelerated development, sudden economic crises can induce devastating effects that shatter their confidence in globalisation. Whereas the plight of various nations differs widely, regional manifestations of globalisation are often oversimplified by distant investors and companies. Hence the tendency, epitomised by the 1997 Asian crisis, to lump 'emerging markets' together as a single economy, representing a homogenous level of risk. This is a severe shortcoming because although such countries pursue similar economic strategies, or possess like income distribution characteristics, they may be radically different in terms of the actual risks they comprise for foreign investors.

Nevertheless, despite the promise of real-time, globally-integrated information, the capacity to assess risks on a case-by-case basis requires a level of diligence that was clearly not met in 1997, and which regulators and policy-makers are still struggling to achieve. This presents a special peril for small developing countries as foreign investors may rapidly exit as a result of risks that have become apparent elsewhere.

This contagion effect can be contained by country risk assessments from international financial institutions like the IMF, World Bank and Regional

Development Banks. But containment also requires that each of the countries in question adopt international standards and transparency rules that allow investors not only to be fully 'informed' about the specific risks, but also to coherently assess those risks. The joint efforts of the International Organization of Securities Commissions and the International Accounting Standards Board to improve the quality and assurance of company accounts – so as to ensure that investors can assess the performance of individual companies without putting excessive emphasis on the location of their headquarters – are exemplary in this respect.

### ***Worsening of environmental damages and health risks***

The third, and arguably most apparent, peril of globalisation is environmental. The Seattle anti-globalisation demonstrations of 1999 brought together a lively crowd in which labour unions protested side-by-side with environmental coalitions and single-issue groups such as Sea Turtle Lovers. Examples like the construction of the Three Gorges dam in China illustrate the massive size, and the potential impact, of development-led growth projects that may be undertaken as part of globalisation. The analysis, however, needs to be nuanced as equally convincing evidence indicates how globalisation proceeds in lockstep with greater care for the environment. Typical of such counter-examples is the Kyoto protocol which aims at a more environment-friendly development of the economy at the 'global' and macro level, rather than at the micro one.

More generally, the worst stage is at the beginning, just as countries launch their globalisation programs and focus upon growing without resources or environmental awareness. Once they reach the \$10,000- \$15,000 per head income level, a different agenda begins to take shape. This can already be seen in Beijing and part of the Eastern coast of China where 'blue sky programs' are now in place to provide the population with those basic amenities, clean air and clean water.

The link between environmental standards and development – notably at the time of investment and lending – is therefore critical, serving as an important check on the potential dangers of globalisation.

## The business benefits of globalisation

For corporations, globalisation offers robust growth opportunities, courtesy of free trade, free investment flows and regulatory openness – such as the right of establishment or home country treatment for overseas companies. Companies with innovative products and competencies are well positioned for rich rewards in a world where opportunities no longer stop at the border. However, globalisation also means fiercer competition, and companies need to build competitive advantages in-line with broader patterns of the international division of labour. Additional challenges facing corporations range from organisational complexity to difficulties in developing a common vision of the global firm, notwithstanding the ability to streamline activities, secure infrastructures and both establish and maintain *reputation*.

The executives of those 'global', European-headquartered corporations who agreed to address these various challenges with us were equally eager to discuss the promises of globalisation. This aspect is, indeed, worth discussing as it rationalises the strategic choices these leaders have made for their respective organisations and points toward future developments in this arena.

### Why globalisation?

As Pascal Lamy reminds us, the most visible benefits of economic integration are economies of scale. They are, after all, the main reasons why corporations "*actively promoted the process*" in a first stage; the bigger the market, the more benefits there are for companies to generate out of their competitive assets – be they patents, competences, expertise or organisational excellence. However, as emphasised by many of our eminent guests, not all business lines share the same characteristics: some are more 'global' than others, and the globalisation patterns will differ accordingly. Peter Wuffli of UBS explains: "*There are different types of banking businesses and globalisation does not uniformly apply to them all. One area that is truly globalised is investment banking, including corporate finance, and the securities business, covering both equities and fixed income in the primary and secondary markets [...] Within this globally consolidated market, a bank must first reach a critical size to be competitive and it would be incredibly hard for any new competitor to replicate the kind of full-service global model these banks already propose [...] Wealth and asset management is another type of bank-*

*ing business, which only recently has started to gain momentum in embracing globalisation, due to very strong local elements."*

In the same vein, Rembert von Lowis of Dexia emphasises that some markets "are global by 'nature' and impose some type of global presence on any actor seeking to prosper in that field because cost synergies are predominant." Against this, he opposes markets that "keep a strong 'national' flavour in terms of culture and regulation – such as credit enhancement in the United States." As per the former constituents, there is no alternative to globalisation: consolidation and acquisitions are the 'name of the game' at the world level.

New, 'global', customers requiring increasingly 'global services' also propel globalisation. This is especially evident in specific segments of the financial industry, though not exclusively. And so Pierre Hurstel emphasises that Ernst & Young needs to be global "for a very simple and paramount reason: our clients want and need us to be global and to serve them in all countries where they have activities or subsidiaries". The same applies for Unisys (à la Lawrence A. Weinbach: "There are clients who are truly global, and they need a truly global supplier that has the deep experience to deal with multinationals, and the macro and micro challenges they face") or HSBC (à la Douglas J. Flint: "[We aim] to provide support to [our] customers in all the locations where they might operate").

However, even though a product or business line may appear as 'global', in practice, it needs to be adapted to cultural specificity, the ultimate 'border' for corporations. Pascal Lamy, a veteran globalisation expert, concurs: "Take jeans, an emblematic global product: nobody would argue that this is uniform, and that the same jeans are sold everywhere. The appropriation process by local consumers is different: producers target a certain type of customer and adapt the 'global' product to local customers' requests".

This sentiment corresponds to that of our corporate guests who almost uniformly emphasise that many markets are 'multi-local' rather than 'global'. This is notably the case for retail banking. Hermann-Josef Lamberti elaborates: "Retail banking is of a different nature and it is not a surprise that when looking at Deutsche Bank's portfolio of businesses, retail banking does not appear as global as others [...] In practice, due to the differences between national markets in terms of regulations and consumers' demand, the threshold of entry into various markets is so high that cross-border organic extension in retail banking is almost impossible." Even within Europe, banking cultures vary from one country to the next, implying that "harmonisation

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*will take time, if it happens*" – as remarks Dexia's Rembert von Lowis. The same is true for many insurance business lines that maintain strong national flavours, or for AXA, which strives to be a network of corporations, rather than a global corporation.

### ***Globalisation through organic growth or acquisitions?***

To achieve globalisation, corporations may favour organic or external growth, two options typically blended in different proportions. Of course, it is the second that tops the interest of most corporate leaders we met, an unsurprising fact due to their respective organisations' extensive mergers and acquisitions activity in recent years. To be sure, the search for critical mass is so intense that acquisitions are either thought to be "*one of [a company's] last growth opportunities,*" or simply a better alternative than "*becoming prey themselves*", as pinpointed by Bernard Nivollet and Christian Gensch.

Many of our interviewees made the distinction between, on one hand, what they call '*defining*' (i.e. Peter A. Wuffli on UBS's takeover of *PaineWebber*) '*decisive*' (i.e. Rembert von Lowis on Dexia's acquisition of *Financial Security Assurance*) or '*transformational*' (i.e. Claude Brunet on any further acquisitions considered by AXA) acquisitions, and on the other, opportunistic ones. Yet, acquisitions no longer tend to be termed '*decisive*', as most of their companies have reached the critical size. Interestingly, only acquisitions in the US are qualified as '*defining*' or '*transformational*', demonstrating that, if needed, the US market is an indispensable stepping-stone for European business' globalisation pursuits.

European companies now often grow opportunistically. Hence Douglas J. Flint airing a view shared by Claude Brunet and Peter A. Wuffli: "*We tend to be opportunistic and to wait for periods of stress or volatility.[...] In the coming years, we don't need a transformational acquisition but you never know what circumstances might bring. However, incremental acquisitions that could extend our customer base or provide us with additional product capabilities will be carefully scrutinized!*"

The acquisitive priorities of European companies are to expand the fields of expertise and generate synergies. In fact, size is not the first objective, and can even be dismissed or deemed irrelevant, as Douglas J. Flint has it: "*Some people suggest that being big is essential, but for us, this is irrelevant. Some of the biggest banks in the world are Japanese and they are not the most profitable. HSBC is not interested in size but seeks to obtain the*

*broadest range of capabilities possible."*

As Ralph Welborn, reminds us, acquisitions have a high failure rate — whether due to unexpected post-merger costs and/or reduced shareholder value. To ameliorate this, European leaders tend to place more emphasis on cultural and managerial compatibility between the acquiring and the acquired companies, rather than on technical or financial issues, an approach that appears to be more favoured by their US counterparts. Thus Peter A. Wuffli describes UBS's three 'explicit criteria' when approaching acquisitions: "*One is the strategic fit; the second is the cultural fit in terms of value and 'cultural agenda'; lastly, such an acquisition has to be financially attractive.*" The same is true for HSBC, which Douglas J. Flint explains, emphasises management, over monetary, values: "*First and foremost, we establish whether our management values are in line with those of the company we will potentially be buying. If not, no monetary value can rectify this dichotomy and we have rejected deals that were available when it became obvious that managerial approaches were too divergent.*"

## **| Global operations: coordination or centralisation**

For globalising companies, the goal lies not in establishing a cluster of look-alike operations, but in distinguishing between operations that could benefit from alignment at the global level – despite the increased level of complexity that it may generate – and those that need to keep strong local content and/or specificities. In this centralisation/decentralisation matrix, most global European corporations tend to favour the local component, a short list of items being centralised. AXA is exemplary in this respect, a point emphasised by Claude Brunet who mentions that all activities and decisions remain decentralised, "*except a few such as capital management, consolidation, branding and top executive management.*" However, local decisions are strongly influenced by internal benchmarking policies that lead to bottom-up, rather than top-down, alignment. Similar procedures have been unveiled at Ernst & Young where 'corporate values' were recently redefined and placed at the centre of the organisation's human resources management, internal processes and client interactions. Again, the 'bottom-up approach' proved integral explains Pierre Hurstel, and "*much more efficient than the top-down system that prevailed before as it acknowledges the need to account for cultural differences.*"

In practice, none of the European organisations we interviewed claim they

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implement a centralised model, even if some technological tools may be deployed in a centralised manner. While conceding that "*alignment [within KPN] is very strong,*" and is perceived as a major strength, Dr Horst L. Lennertz stresses that centralisation is a step-by-step approach. The same is true at Visa Europe, where Hans van der Velde underlines that "*being 'global' doesn't mean control, it means cooperation and coordination. In this respect,*" he continues, "*there is no way an organisation can be 'global' without also being very local; you cannot operate a global organisation from one point!*"

The most productive approach, it seems, is to blend central and local, to adopt a 'glocal' model. Indeed, as acknowledged by Christian Mouillon, even the most 'global' clients desire a 'glocal' strategy: "*Clients want us to be a global organisation with extensive local capabilities so that audits can be conducted at the national level with local knowledge informing the context and circumstances of our work.*"

Technological evolutions make this blending of global and local even more pressing, as operational platforms are supposed to be accessed by various categories of actors at anytime from everywhere, and to deliver services adapted to specific needs. As emphasised by Bart de Maertelaere and Bertrand Bouteloup, "*the new global business generation needs to conceptualise novel approaches to designing operational platforms that will emphasise flexibility, responsiveness, collaboration and co-opetition.*"

The demand for availability and flexibility is even higher as mergers and acquisitions accelerate. As Ralph Welborn reminds us, "*optimising post-merger activities is daunting, in the best of times. Doing so in a competitive environment of continual uncertainty and margin pressure merely compounds the challenge.*" Hence the need for Business Blueprints, models that capture the properties needed to understand a business, which allow companies to predict the impact of any change, whether strategic or due to a merger/acquisition.

Alignment is often seen from a purely technical point of view. However, many of our guests emphasise the cultural dimension of alignment, and the challenge globalisation poses in terms of cultural diversity: "*The complexity of aligning different cultures and mentalities strikes me as the most obvious challenge,*" underscores Peter A. Wuffli.

Cultural issues prove an especially compelling challenge for human resources executives in worldwide organisations. For Pierre Hurstel, the first and foremost issue is to establish "*a vision of the conditions for success that is shared by all employees.*" Again, this is evocative of a typically

European bottom-up approach, as against a more centralised one described by Patricia A. Bradford: *"The overarching challenge is to be global while remaining agile, flexible and adaptable in order to make fact-based decisions quickly. In human resources, this means that each company policy is unilaterally applied to hiring practices, employee performance management and performance assessment worldwide."*

### **Delocalisation vs right sourcing**

Most European public opinion fears regarding globalisation relate to delocalisation and possible threats to social models. However, our questions pertaining to outsourcing and off-shoring tended to pass quietly, with the majority of our distinguished guests allocating them a low priority in their search for global competitiveness. If somewhat surprising, this perspective is nevertheless in tune with a recent EC workshop<sup>7</sup> which concluded that relocation is still a small phenomenon at the macro-economic level in Europe, and that the benefits of services outsourcing are less obvious than those for goods exporting. For Claude Brunet, off-shoring's supposed cost advantages are disproportionate to the reality, where cost reduction and productivity gains continue to prove more effective. Off-shoring may also occur at the expense of search for excellence. Thus Douglas J. Flint cogently emphasises 'right sourcing': *"The world's film industry is in Hollywood, aerospace in Seattle and Toulouse, while the world's investment banking capital remains New York. It is 'right sourcing' in some sense rather than out sourcing. HSBC has 232,000 employees to serve the global needs of its customers; they are based in centres of excellence and connected globally. It is true that some of our IT resources are located in India and China, but we still do much of our high value technology work in the UK, Canada and United States – these are the centres of excellence where we can best leverage particular talents."* Accordingly to Hermann-Josef Lamberti, Flint's provisos are not, however, universal: *"For Deutsche Bank as a global financial services provider, China is already a big supplier in our value chain: many of our services are now off-shored there,"* and India already hosts both a large payment and software development centres.

7. "The effects of relocation on economic activity: an EU perspective"; DG-ECFIN workshop, European Commission, June 21, 2005.

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### **Brand**

Nurturing a global brand is another crucial dynamic of European corporate globalisation. In fact, it is now regressive to accommodate various local brands (for the same business line) within one corporation. Ian Ryder explains: *"In today's world, people are more widely travelled, and corporations who themselves have to serve their customers around the world, also require their own suppliers and partners to have a 'global touch'. This means that the brand experience consistency is critically important."*

However, establishing a global brand is no easy task, and it must be buttressed by shared values and a strong corporate culture. Douglas J. Flint put it nicely: *"The advantage of the global brand is everything you do all around the world is reinforced.[...] HSBC has a brand value that has a high element of trust and integrity and that is something worth protecting because if you lose it, it is very hard to recover."*

The critical link between trust and global branding is shared by most of our guests. Listed here are some of the most resilient such sentiments:

- *"'Trust' is an integral aspect of our brand." Pierre Francotte,*
- *"Everything we do has to be with the utmost integrity. This is where our reputation is, where our brand derives. It is how we attract the best clients and employees." Lawrence A. Weinbach,*
- *"The Visa brand is one of the most well-known and trusted brands in the world. It is extremely important for cardholders to know exactly that any point of sale with a Visa sign will accept his/her card." Hans van der Velde,*
- *"Trust is a short, simple word, but is the most important and powerful concept in the world of brand management – and especially the world of the global brand." Ian Ryder*

Most European companies are in the process, or have just completed, their move from local brands to a global brand. This is generally a two-step move as local brand awareness may take years to develop: first, companies add the global name to the local ones; a few years later, the full substitution can be operated. In this dimension, as in many others, differences are striking. Belgians are, for example, far less resistant to brand changes than are Americans or the French.

## Security and risk

Whatever the globalisation strategy they conduct, all of our interviewees stressed that vulnerability goes hand-in-hand with openness, thus driving a permanent quest for security. However, as argued by Jean Dufourcq, from NATO's Defense College, we need to undergo a shift in the security paradigm, and reduce our vulnerabilities rather than prepare for a threat that can no longer be clearly identified.

For corporations, security means that the open system within which they conduct their strategy will not disintegrate. However, as Pascal Lamy underlines, they are now very much aware of the "*risk of fragmentation*," of a global economic environment that "*remains unstable*."

Security also means trust in the system, conviction in a market economy, which, after Enron, has been shaken. Both the US and the EU have well assessed this challenge and established legislation to reinforce trust. As advanced by Christian Mouillon of Ernst & Young, the US approach has been much more effective both in terms of timing (it took only six months for American authorities to enact the Sarbanes-Oxley Act) and in terms of scope (the American law applies extra-territorially, and is much more adapted to the current 'global' situation).

Ultimately, the challenge not only relates to business, but to the governance of the world system. "*A real faith in the global world is needed*," obliges Jean Dufourcq, "*a faith in the world system*."