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The "Chosen People" or "Citizens of the World"?

Challenges Faced by Israeli Sites of Global Corporations

By Tamar Choshen – Management Consultant

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Introduction

Ronen (pseudonym) is a senior manager in an Israeli startup acquired by a global corporate. In a conversation I had with him, he described his frustration two years into the exit: "We used to be a leading, creative and innovative development group…. Now we are just another small, remote development center. For the Americans, India and us – it's the same. Nobody asks us anything. Our opinion counts for nothing. If you ask me, it feels as though they're trying to transfer as much knowledge as they can from here to there, so that they'll be able to shut us down within a year. We're a bit too costly for Indians…"

Being acquired by a global corporation is the highest ambition of many hi-tech startups in Israel. The exit is usually celebrated as a triumph and accompanied by joy and enthusiasm. However, follow-up on hi-tech businesses during the first few years after acquisition shows that the post-exit routine is far less exiting.

Many former hi-tech startups are characterized by reduced engagement, motivation and morale, coupled with a difficulty adjusting to the new reality. The fantasy of becoming a dominant and influential organization in the multinational corporation is slow to materialize. The challenges faced by executives in the large global corporation are different, even for companies that were already global prior to the acquisition.

From an independent organization to a corporate site: Why is it so difficult?

Below is an overview of some of the aspects that change significantly following the transition into the multinational corporation.

Customer relations - Apart from cases where the company continues to manage it customer relations independently, it switches to working with the parent company's sales and marketing organizations. Customer preferences data, feedback on products and market data in general become less readily available. Maintaining relevance becomes more challenging for the new subsidiary.

השקמה 5 , רמת השרון , 47217 טל. 03-5497552 נייד. 054-6403063
tamar@tamar-choshen.co.il www.tamar-choshen.co.il

Decision-making processes - Key decisions are now made across the ocean. Information about them is partial and often outdated, limiting the ability to influence decision making. The challenge of influence becomes one of the most critical for managers.

The big picture is often unavailable to the managers at the Israeli site. Information on strategy, roadmap and long-term planning is often lacking. Obtaining the information required to make local decisions becomes much more challenging.

Internal competition - Development centers that used to compete with foreign corporations now find themselves unexpectedly competing with "brothers" – other development sites of the same parent. These centers may have an advantage in being low cost, or simply located closer to HQ and the key markets. The unique added value of creative development professionals in Israel is not always acknowledged and their advantage is not taken for granted.

Alignment with global practices - Both managers and employees are forced to adjust to global processes and methods, often against their will. In many cases, this means giving up simple and flexible (or informal) practices for more cumbersome processes and tools that are not necessarily in keeping with the local culture.

Unit pride - A young organization struggling to survive in a competitive market is characterized by high engagement and unit pride. Employees and managers find it difficult to abandon the former object of their pride and become attached to a different new brand. This is certainly true of startups priding themselves on innovation and state-of-the-art technology which now have to identify with an established and more conservative corporation.

Typical dilemmas and traps

"In the meantime, they don't require us to change" - When the parent allows the acquired company some measure of autonomy, this is perceived as an advantage. Often site managers are simply pleased with the opportunity to continue conducting themselves independently and make no effort to become integrated in the parent company. This approach restricts the acquired organization's ability to position itself as a significant and influential member of the parent company, as well as its managers' ability to influence the design of integration processes as they push into higher gear later on. There are examples, on the other hand, of some former Israeli startups who decided to change their own name and made proactive integration efforts. Such initiatives improved their position with the parent company and enhanced their ability to integrate successfully.

Us vs. Them - Very quickly, the acquired organization begins to acquire an "us or them" mentality and terminology:" they are wrong while we are right"," we are quick and they are slow"," we are creative while they recycle ideas"," we are the smartest… " . This approach idealizes the pre-exit situation, despite the difficulties involved in struggling for survival at that time.

The chosen people vs. citizens of the world - Many efforts are often made to emphasize the uniqueness of the Israeli site. I believe this is typical of Israelis in general, outside the corporate context. Less effort is spent on integration, adjustment to the global culture, or learning the new organizational language. Organizations that do decide to fit in, join global forums, establish joint think tanks and take part in horizontal processes achieve much greater influence.

Don't be right, be smart – reading the global political map - Understanding the global organizational system, learning to read the political map and finding your way in it maximize local managers' ability to influence. This is true on the local level, but especially so when becoming part of a multinational corporation. Managers used to run a tiny startup suddenly find themselves in a big system where it is not enough to be bright and right. A slow growth process enables managers to learn that lesson less painfully. Exiting, however, makes this transition more acute, requiring a quicker learning process.

Remote working - The challenges of global work suddenly become part of managers' and employees' lives. The lack of informal contacts due to geographic distance, the difficulty of establishing trust across the ocean, the need to learn how to maximize the effectiveness of telecommunications, and coping with cultural gaps – all these are significant challenges for any newly acquired firm.

Proactive integration: Action items

- **Make the effort to get to know the parent company -**Proactive effort to become familiar with persons, structures, roles, processes, needs, capabilities and constraints is essential for effective integration.
- **Network -** Take advantage of travel opportunities to meet on an informal basis, get to know as many stakeholders as possible and establish working contacts as a basis for future long-distance relationships. Mutual personal and professional acquaintance is recommended not only among senior managers but also among mid-level executives and leading team members.
- **Mutual expatriation -** Moving both executives and employees to another site, if only for several month, is a powerful tool for building acquaintance and mutual trust.
- **Join and initiate virtual teams** such as professional forums, task forces and think tanks to maximize your leadership potential.

- **Build trust through openness and transparence -** I often meet managers who adopt the misguided approach, when interacting with the parent company, that knowledge is power and that sharing knowledge means getting weaker. It is open and transparent organizations that build the trust which allows the parent company to let go, delegate authority and allow you autonomy.
- **Align work processes and synchronize interfaces -** In order to integrate effectively, it is recommended to make the effort and specify work processes and interfaces jointly. Belated integration of discrete processes can lead to difficulties and frustrations that can be prevented by maximizing coordination throughout work stages.
- **Cross-training -** Investment in mutual training processes can do much to enhance mutual understanding and collaboration.
- **Face-to-face and virtual communication -** Regrettably, many companies rely excessively on emails for remote communication. Virtual communication is an acquired skill. Learning sophisticated and effective use of a variety of integrated media channels (video, audio, data), however, significantly enhances communications and relationships.
- **Intercultural training** is essential for effective collaboration by partners of different cultures.
- **Proactive integration.** In all areas, the acquired organization must pick its battles, and decide where independence is critical and where it can integrate without significant loss. In the latter areas, I recommend proactive integration. It is also essential to understand the local site's unique added value in each area and how it can be maintained, applied and communicated.

To conclude,

The HR manager's role in this process is complex, because the need for *pro*active integration is not always obvious to the Israeli management. As described above, managers are often happy when the parent company intervenes as little as possible, and prefer *re*acting to change only when a more significant integrative effort is initiated across the ocean.

Therefore, HR managers who want to add value to this process face the challenge of leading a significant organizational process where managers understand the need and value of integration and act to promote it. This process includes working with management teams on understanding the change in their role and practices, training for effective performance in a global corporation and leading joint task forces and think tanks.

At the same time, for an HR manager to become a leading actor in that process, he himself must find the way to integrate in the global organization, get to know key stakeholders and establish significant personal and working relationships with them.

As a final note, most of the insights offered above are just as applicable for Israeli corporations expanding through overseas mergers and acquisitions. Understanding the processes and difficulties experienced by acquired companies can help the parent corporation lead effective processes of integration and synergy.