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# 1 Introduction

## Globalization

In the 1990s a business could find itself transacting with multiple local entities within a national or international organization, and all on different terms. Thus, doing business with, say, a global manufacturer of paper across ten nations might mean doing business with ten separate business units. Intra-unit communication and transparency were not encouraged. Today, business consolidation, the transparency of the Internet, and competitive market pressure make such business practice less possible, if not impossible, for businesses that transcend national boundaries. The pursuit of so-called globalization abounds, not just in global brands and cross-border transactions but also in business practices and the supply chain.

The questions then arise, What actually is “globalization”? When is a firm truly global? Suppliers of products talk as if they are global, yet often act internationally. An international business is one that has either a direct or indirect presence in multiple geographies and operates in the image of its home market; this situation can be very prevalent in American and German companies, for example. A global company is one that permits its local operations to act in the image of the market locally, and yet can act in a truly homogeneous way with respect to the supply and/or provision of its core products and services. Many companies claiming to be global are in fact international, with operations located in several countries but the seat of control and the definition of the corporate culture entirely in the “head office.”

Microsoft and Apple, for example, are not global by this definition. No airline company, as an extreme example, is. They are all international. Vodafone, however, is global: its sourcing and supply-chain activities were transformed to be entirely global for the major part of its investments, while services remain local.

This book provides an insight into a substantive globalization experience that offers an empirically based alternative organizational model for the transformation to global. Initially, this book centers on the strategy to globalize the business relationship between two otherwise international organizations in the mobile telecommunications sector, namely, Vodafone and Ericsson, whose business links were seated in multiple in-country arrangements. The trigger for this relationship was the Vodafone requirement to remove costs in the acquisition and deployment of mobile network infrastructure across its national equity interests and to therefore demonstrate

aggregation synergies arising in anticipation and as a consequence of a merger (AirTouch Communications, Inc., of California) and later an acquisition (Mannesmann AG of Germany).

We will subsequently consider how Vodafone further enhanced this outcome to similarly globalize its interorganizational business relationships with Nokia, Nortel, and Siemens. The final phase in this book discusses the Vodafone move from the informal and center-led approach that delivered substantial aggregation cost benefits to Vodafone, to the center-controlled organization under the initiative of One Vodafone that was implemented in April 2005.

This book, however, is not just a story and not simply a single organizational model. The experience presented leads to some strong messages that are articulated at the end of this chapter and further developed in later chapters. The story and the messages are concerned with these aspects of organization:

- ▶ Globalization: what it is and what it can mean
- ▶ Transformation: how we get to globalization
- ▶ Horizontal and vertical relationships: how we organize and integrate within and across organizations
- ▶ Virtual global organizing
- ▶ Strategic organization relationships
- ▶ Global leadership

The intention is to display an example of what Jaques calls the requisite organization: “doing business with efficiency and competitiveness and the release of human imagination, trust and satisfaction in work.”<sup>1</sup> (page pair 2)

## Globalization and Organization

Global boundaries between companies, markets, and people have become irrevocably blurred.<sup>2</sup> A multinational structure is one that creates a federation of national entities stemming from a single parent. A global organization is one in which the world is treated as an integrated whole organized around a strong headquarters that focuses on scale. A transnational organization is neither centralized nor decentralized but contains aspects of each strategy (global/international).<sup>3</sup>

In a transnational structure, the parent organization may centralize certain core processes and/or activities. Henry Wendt, when CEO of SmithKline Beecham, described the differences between transnational and multinational organizations:

*The difference in outlook between transnationals and multinationals is the difference between a globe and a map. The surface of a globe has neither a beginning nor an end, neither a centre nor a periphery; it is a continued integrated whole. A map has a definite centre, peripheral places, and remote corners; it is a discontinuous, hierarchical fragment. And for the traditional multinational, the home market and the headquarters*

*stand at the centre of the map and send out expectations to progressively less important provinces. In sum, the transnational corporations view the world as one vast, essentially seamless market in which all decisions are grounded solely in the desire to gain a global competitive advantage.*<sup>4</sup> (pp. 275–276)

The evolving boundaryless solution, founded in the transnational format, might best be described as *glocal*, because it aims to merge a global strategy with respect for local presence.<sup>5</sup> The glocal company utilizes local control but also calls for central integration and economies of scale. For in-country, services-based business on a global scale, the role of the center function should include the lead in setting a vision and establishing and espousing a strategy and governance structure that are consistent both globally and locally. The in-country role of a services business, such as a mobile phone network operator, is compliant execution of the vision and strategy to the optimum benefit of the business interests in the given local market conditions. What is referred to as global in this book owes much to the concept of glocal.

According to Daft, a transnational model can perhaps be viewed as the learning organization extended to the international arena, where a large multinational company with subsidiaries (and/or equity interests) exploits both global and local advantages and represents the most current thinking about the kind of structure needed by complex global organizations.<sup>6</sup> In achieving coordination, a sense of participation and involvement by subsidiaries and a sharing of information, new technologies, and customers require a multidimensional form of structure, thereby making the transnational model more than just an organizational model, but a state of mind, a set of values, and a shared desire to make a worldwide learning system work. Daft goes on to suggest that “each part of the (transnational) organisation can serve as an independent catalyst, bringing together unique elements with synergistic potential, perhaps other firms (for example, suppliers) or subsidiaries (and/or affiliates) from different countries to improve performance” (p. 501).

## Transformation

Intra- and interorganizational transformation necessarily must comprise at least a vision (where), a strategy (what), and a how. This book demonstrates that when the people are involved whose status quo is potentially at variance with the individual or departmental roles of the future, then positive, sustainable outcomes prevail. Further, the scope of what is intended in the new definition of the organizational role of their team may go beyond the current boundaries and into unfamiliar territory. The “organization” discussed in this book was an informal and nonvisible, global, virtual social network that had no organization chart or budget presence, yet it seriously contributed to Vodafone’s economic position through aggregation cost synergies.

The transformational approach taken in this book is based upon the “process-oriented” journey metaphor<sup>7</sup>—a metaphor, or to quote Morgan,<sup>8</sup>

“a way of thinking and a way of seeing.”(Grant and Oswick, 1996, p. 1)<sup>9</sup> As an example, the European and Trukese journey approaches are contrasted.<sup>10</sup> The European approach begins with a plan and tries throughout the “voyage” to remain “on course.” Dealing with the unexpected requires first an alteration to the plan and then an appropriate response. Reference is made to Lewin’s three-stage change model of “unfreezing,” “change,” and “refreezing.”<sup>11</sup> Bevan’s thesis makes reference to the interpretation by Inns (1996) of this characterization as a “destination-oriented” journey, this process being viewed as a “rational, structured and linear journey” (p. 24)<sup>12</sup>

On the other hand, the Trukese begin with an objective rather than a plan, set off toward the objective, and respond to conditions in an ad hoc fashion. In utilizing information provided by the wind, the waves, the tide, and so on, they steer accordingly with all effort directed toward whatever is necessary to reach the objective. Bevan expands on the work of Inns by stating that the “process-oriented” journey is essentially an explorative process where clear outcomes are not known in advance and change is cyclical, with no arrival or final “homecoming,” namely:

*Change is not as programmable and predictable as Lewin-type models imply, since repercussions on different parts cannot always be accurately forecast. The development of the journey metaphor in relation to organisational change from a destination-oriented model allows important, but previously hidden elements of the journey to come to the fore: uncertainty, circularity, exploration, and unpredictability. (p. 55)*

The emergent aspect of the planned approach to the management of change includes processual and contextual perspectives that share the view that change cannot and should not be “frozen,” nor should it be viewed as a linear sequence of events within a linear time period. Instead, it should be viewed as a continuous process<sup>13</sup>—which is consistent with the views of Inns. Macredie and Sandom indicate that different supporters of this perspective view change as a continuous process aimed at aligning an organization with its environment and is best achieved through many small-scale incremental changes that, over time, can amount to a major organizational transformation.<sup>14</sup>

## **Horizontal and Virtual Organizational Relationships**

With increasingly large global customers, global competitors, and the need to control costs, an organizational structure containing a small set of independent affiliate companies will no longer do the job.<sup>15</sup> Today’s organizational structures demand intensive communication, and without information technology it is highly doubtful that many of these organizational changes under way could exist. The exact forms that organizational structures will eventually take remains uncertain, but they will be more interdependent both internally and externally and will be coordination intensive and, therefore, more information technology (or systems) intensive.

Galbraith commented that along with the lateral (or horizontal) organization, the vertical hierarchical organization also requires some discussion.<sup>16</sup> He asserts that the cross-functional capability when fully implemented is a lateral organizational capability, in which the different functions are coordinated, but without communicating through the vertical hierarchy. The lateral organization is a mechanism for decentralizing general management decisions and creates an ability to be multidimensional and flexible. There are three types of lateral organization: across functions, across business units, and coordination across countries referenced, with no reference made to interorganizational aspects in the global context. Galbraith also discusses three basic types of relationships in such organizations: informal and voluntary, formal groups, and integrators. All three levels are relevant in this book.

Individuals must share information or expertise that was once a major source of power, accept responsibility for issues over which they have only limited control, and propose initiatives and action in an environment in which measures and metrics are unclear or in transition.<sup>17</sup> Shared confidence (and trust) among those who work across organizational boundaries frame the environment for interunit support.

Separate functional companies in a network are coordinated through mutual interests or by a focal company, which plays the role of network integrator.<sup>18</sup> Network integrators create governed networks rather than loosely coupled, informal networks. First, the integrator usually performs the dominant function in the value-added chain of the business and buys key items for the network. Second, in general the integrator builds a power base but works in the mutual interest of the network, having built trust and relationships among the members.

According to Burn and Barnett, virtual organizations are electronically networked and transcend conventional organizational boundaries by using linkages that may exist within and between organizations.<sup>19</sup> A virtual organization culture consists of those members of a (virtual) community that have common shared values and beliefs.<sup>20</sup> Organizational cultures that are accepting of technology, highly decentralized, and change oriented are more likely to embrace virtuality and proactively seek these opportunities within and without the organization.<sup>21</sup> Burn and Barnett conclude that a virtual culture is a perception of the entire virtual organization held by its stakeholder community and operationalized in choices and actions that result in a feeling of *globalness* with respect to value sharing and time-space arrangement. They also conclude that the virtual organization is recognized as a dynamic system and hence one wherein traditional hierarchical forms of management control may not apply, about which little has been written.<sup>22</sup>

Since it is a relatively new idea, virtual organization lacks a universally accepted definition.<sup>23</sup> Mowshowitz sketches a theory of virtual organization expressed as a set of principles for meta-managing goal-oriented activity based on a categorical split between task requirements and their satisfiers. In this formulation the essence of virtual organization is the systematic ability to switch satisfiers in a decision environment of bounded rationality. Collaboration is implicit in the practice of meta-management, or the management of

management.<sup>24</sup> In a case study, Faucheux finds that this collaboration may be considered supportive of the global (interorganizational and intercompany) virtual team concept formed within and between the customer and supplier organizations. Mowshowitz, however, does not state whether his concepts are interorganizational, only that a virtual team is an instance of a social organization, which designates an abstract requirement for a group of individuals that collectively possess certain skills.

Faucheux says that the dynamics of virtual organizing are closely tied to self-organizing, in making sense of one's action through elucidation of the experience of the actors themselves—who are best situated for doing so. The very logic of virtual organizing drives toward the longer term and toward more responsible relations with the environment. Further, virtual organizing detaches the core of the enterprise (or enterprises, in this case) from its concrete operations, conceiving it now in more abstract terms in dealing with a wide range of possible appropriate responses the firm might take to business (or interorganizational) opportunities in the global economy. The collaborative dimension of human activity emphasizes the necessarily collective cooperative nature of human activity and is therefore characteristic of a community of individuals communicating with one another through critical dialogue. Concluding, Faucheux makes the following points relevant to the Vodafone-Ericsson situation and the horizontal or meta-relationships that arose through the global and virtual community or variant social networks:

- ▶ Actions become more public and transparent, contributing to a deflation of power games, or covert manipulations, in favor of more worthwhile mutual influences like recognition and trust.
- ▶ Actors are induced to make more use of dialogue-based and dialectic models of thinking, since critical reflection requires a collective, collaborative effort for avoiding personal biases.
- ▶ Actors achieve a better appreciation of the broader contexts—social, cultural, biological, and cosmic—in which their lives are embedded. They therefore respond to real needs rather than egocentric fantasies.
- ▶ Actors make progress in recognizing their creative nature, letting it express itself more spontaneously in behavior sufficiently balanced by self-reflection.

## **Vodafone in the Wireless Telecommunication Industry**

In advance of the Vodafone merger with AirTouch, the notion of cross-entities or equity holdings acting in a homogeneous way globally was not current practice in the telecom industry, be it brand, supply chain, or, indeed, organization. Even within the Vodafone Group at that time, although there was to some degree a coordinated approach to its major network infrastructure suppliers, each national entity nevertheless had its own contract and therefore commercial and local relationship. There was no notion of a global

brand, and organizationally the various properties were managed on an arms-length basis through the participation of Vodafone executives on the local operating company board of directors.

In the early days, new investment companies, for example, in Holland, Greece, and Australia, were supported by specialist expatriate employees dispatched from Vodafone in the UK; it follows that all such operations were therefore in the image of the UK operation even though Vodafone had less than a 100% equity holding. The operations were, however, carried out in the interests of services to the local markets, all of which were in the early stages of development.

The joint impact of the merger of Vodafone and AirTouch was a combined geographic footprint that made the consideration of economic cost synergies, hitherto not taken into account, an attractive proposition and certainly material to the attributed value of the combined enterprises. The principal synergy considered at that time was the potential associated with the acquisition of the mobile network infrastructure; although no public targets were announced, internal targets were established. Later, with the Mannesmann AG acquisition by Vodafone, publicly declared cost synergy benefits were announced.

In 1998 we at Vodafone resolved mutually with Ericsson that “globalization” was the path to joint success. The intent was absent of definition, save the economic aggregation synergy ambitions of the Vodafone side and the expressed willingness of Ericsson to pledge its support for the endeavor, and certainly no organization preexisted through which the task could be undertaken. I, then a director in the Vodafone UK mobile network operator, was assigned the task by the executive to explore and develop the realization of the cost synergy ambitions of Vodafone (interestingly, in addition to rather instead of normal duties, which at that time included IT, procurement moving to supply-chain management, and project management). This experiential journey engages the period through to October 2005, when the author retired from Vodafone to establish himself in private practice. In this context “experiential” may take on a double meaning; namely, a derivative of prior and developed experience and/or the willingness to experiment and to act on one’s judgment and intuition (or indeed counterintuition) conditioned by the results achieved in the context of the vision and strategy.

The initial countries that were party to this interorganizational collaborative endeavor in addition to the two center-functional leaders and their teams were the UK, the Netherlands, Greece, and Australia/Fiji. Ericsson was the mobile network infrastructure supplier to each of these companies or equity interests; at that time Vodafone held a 100% equity position only in the UK company, and Ericsson owned 100% of each of its in-country operations involved.

The inaugural meeting of the participating parties in this collaborative endeavor was held in the UK on February 25–26, 1999. The vision and strategy were outlined to the team, with some initial nervous anticipation on the part of some. However, there was a mutuality of readiness to engage in this new industry-leading endeavor; this was to be the formative virtual team.

Agreed actions from that meeting were the initiation of a number of virtual workstreams. These were tasks or initiatives assigned jointly to the Vodafone-Ericsson in-country teams on behalf of the participating companies of both organizations.

The obligation of these teams was to assure the collective interests of all parties and to engage such other resources from either organization as and when required. All countries took away such assignments, interestingly with no discussion about budgets and no question of the authority of the meeting or forum in which they were participating. At this stage the virtual workstreams were focused principally in the areas of creating improvements in the supply chain between the two globally dispersed organizations; however, one virtual workstream focused on creating an interorganizational system (IOS) that was subsequently operationalized by Ericsson under the guidance of a virtual workstream leadership; again, with no budget discussion.

My *de facto* role as leader (not announced internally) was not questioned in either organization. This role involved the creation of a new and formative social network that was to later expand (the merger with AirTouch and acquisition of Mannesmann AG). From this network a number of cross-cultural personal friendships developed, some of which, at least for the author, have survived to the present day. In summary, the nexus of a global virtual community had been founded; there was no formal recognition of this community, yet it existed; no budget was discussed in Vodafone save within the small (UK operator based) center team of the author, yet there were uniform engagement and active participation, virtual workstreams beneficial to the Vodafone interests and one assumes to those of Ericsson as they engaged, and emergent cost synergy benefits soon attributed to the Vodafone interests arising from their participation. The social network would eventually emerge to be the rich source of mutually beneficial social capital that often achieved results in the occasional face of adversity and performed repeatedly in the later governance structure for Vodafone. This founding catalyst expanded over time as the Vodafone-Ericsson community participation increased in the years to come.

The global reach of this initiative was to expand following the Vodafone merger and acquisition, which included at one stage thirteen operating company subsidiary and affiliate interests participating with Vodafone in the globalization endeavor with Ericsson. Such operating company engagement in this collaborative endeavor was voluntary. This voluntary aspect created a sustainability to and for the collective or operator cluster, with the focus being on making the joint endeavor work rather than, as is often the case, working on a local level in a contrary way to center-led (or center-controlled) initiatives; in this case what was global or collective is what the group directly or indirectly contributed to and/or participated in.

One of the most forthright collective achievements was the realization and continuing development of Global Terms and Conditions (GT&Cs) and Global Price Books (GPB) governing the interorganizational relationship, as they together formed in effect a “global constitution” following their adoption locally by each of the Vodafone operating interests. Preexisting local agreements

with the supplier were extinguished save by exception and agreement of the team that certain local preexisting conditions should not be sacrificed. This, in effect, created a single but globally dispersed interface between Vodafone and Ericsson, variously embracing 60% and more of the Vodafone expenditure globally with Ericsson, leading to effective cost synergy yield for all parties through, for example, simplified administration and commercial relationship management; reduced diversity of sourced equipment and software configurations; convergence on the alignment of common testing once for the group, thereby leaving the local focus on the fulfillment of operational excellence and a positive customer service experience.

There was no preexisting or formal introduction to this globally dispersed virtual organization or community that had evolved in Vodafone, no budget, and no organization chart in which its existence was visible; yet it existed, functioned well, and throughout its existence yielded substantial aggregation cash synergies. I traveled frequently to meet the participating in-country management teams of the Vodafone organization to assure their understanding and positive engagement with this globalization initiative and to solicit their unqualified support. The same approach was taken by me with the executive management of the Ericsson team, notwithstanding the asymmetry of such a relationship.

Subsequently my initiative was in the same way embraced by others as the Vodafone and supplier community and activities expanded. The impact was to develop a social network inclusive of many key stakeholders. In all, this approach was extended to a community of up to twenty-three Vodafone operating company interests that collectively formed four multi-operator clusters towards the major mobile network infrastructure suppliers (Ericsson, Nokia, Nortel, and Siemens). Collectively, across eighteen operators in the Vodafone fiscal year 2005–2006 this network accounted for capital and operating expenditures totaling approximately €8 billion; certain operators participated in two or more of these supplier-based clusters.

## **Virtual Global Organization Models**

For sustainable success and the positive engagement of the key stakeholders, I resolved that the center function would be an inclusive multicultural team for which candidate applications would be invited from the Vodafone operators. With the support of their management, the candidates were selected to join the center team on a temporary or secondment basis, normally for no longer than two years; this had the progressive benefit of developing an effective global knowledge transfer borne in this experience back to the in-country operations. A requirement for the candidates was that their management saw the assignment as a part of the candidate's personal development and career plan, thereby assuring the reentry path at the end of the period; the candidates also necessarily had to be highflyers and, arising from the selection process, accepted by the serving center team and the served Vodafone operator community prior to appointment.

A phenomenon emerged in this experiential journey, namely, that although the actual organization of the virtual community did not evidence itself on any chart, notwithstanding the financial aggregation synergy yields that certainly were visible, in effect what had been created was a nonhierarchical, global virtual and horizontal organization that spanned the vertical in-country operations over which it had a (controlling) meta-influence. More precisely, those in the virtual community were in fact acting outside their usual role in the normal hierarchy. The role of individuals in this virtual community was solely and only resolved by the individuals' capacity to produce or lead and the acceptance of the assignment by those over whom they were to have impact. This may sound very counterintuitive, but as one who experienced this journey, I can confirm what was achieved was vested in the actors engaged—a period of high and unbounded innovation wherein we were setting the course, not following those of others.

Lipnack and Stamps coined a term, "TeamNet," to describe networks of teams that cross conventional boundaries to improve horizontal organizational relationships while complementing or coexisting with the traditional prescriptions of vertical hierarchy;<sup>25</sup> they cross boundaries and have fewer bosses and more leaders. Brown quotes Mohrman and Porter, stating that managers need to be both effective vertical (organizational) strategists and horizontal (organizational) strategists (p. 421).<sup>26</sup> TeamNets combine two organizational ideas: teams (where small groups of people work with focus, motivation, and skill to achieve shared goals) and networks (where disparate groups of people and groups "link" to work together on a common purpose).

Analyzing a virtual organization (VO) on the strategic or operational level draws a relevant distinction.<sup>27</sup> The strategic level is concerned with the cooperation between all the partners of the VO, whereas the operational level is concerned with the way individual partners carry out their own business processes. In the initial context of this case, the partners make up two levels: first, the interorganizational level between the global organizations of Vodafone and Ericsson, and second, the level within and between the companies of those two global organizations. Bultje and van Wijk's research is focused on the strategic level, which is consistent with the domain in the Vodafone-Ericsson case. The author's experience, as with Bultje and van Wijk, was focused on the cooperation between different organizations, not specifically on the internal cooperation of one organization.

Bultje and van Wijk's extensive literature review discovered twenty-seven characteristics of VOs. To attempt to determine the relevance and priorities of the characteristics, they undertook six case studies on firms that differed on three points: being small versus large, Dutch versus international, and Information and Communications Technologies (ICT) based versus non-ICT based. All the twenty-seven characteristics were mapped on the six companies. Bultje and van Wijk conclude two working definitions derived from a shortened list of twelve characteristics.

The first working definition is that "A virtual organization is primarily characterised as being a network of independent, geographically dispersed organisations with partial mission overlap. Within the network, all partners

provide their own core competencies and the co-operation is based upon semi-stable relations. The products and services provided by a Virtual Organisation are dependent on innovation and are strongly customer-based” (p. 16). The second is that “A virtual organisation is secondarily characterised by a single identity with loyalty being shared among the partners and the co-operation based on trust and information technology. In addition, there is also a clear distinction between a strategic and an operational level” (p. 16). They conclude that the characteristic present in a VO is determined from one of these typologies: internal VO, stable VO, dynamic VO, and Web company.

The best fit to the situation discussed in this book is a “Stable VO”, defined as a VO based on the cooperation between different organizations that aims at contracting out noncore competencies by a “main” organization (often a core partner). These noncore competencies are contracted out to several committed suppliers, which are closely related to the main organization. The two different globally dispersed organizations are Vodafone and Ericsson; they jointly form the “main” organization for the realization of aggregation cost synergies. Actors from the in-country operating companies of both organizations with contributors from their center functions collectively, at the execution level, comprise the committed suppliers in this definition. An outcome of such a network is the ad hoc establishment of social networks within and between what was a geographically dispersed network of individuals (nodes) and within which were also formed virtual teams from both organizations. Social capital, on the other hand, focuses on those social networks that exist and the character of those networks, the strength of the ties, and the extent to which those networks foster trust and reciprocity.<sup>28</sup>

In the virtual organizational environment in which there exists interdependence between organizations, for the organization to be successful, trust at an organizational level must exist within a two-way, “no blame” culture. In interdependent organizations the synergy of knowledge may be the principal benefit of the interdependence. Unlike conventional teams, a virtual team works across space, time, and organizational boundaries (to include interorganizational) with links strengthened by webs of communication technologies.<sup>29</sup> The intuitive rationale for successful virtual teamwork is to involve the right people from the internal and external organizations, carefully define the purpose, and establish excellent communication links (a media mix, including e-mail, conference calls, and face-to-face meetings to support interactions and relationships). As important as positive relationships and high trust are in all teams, they are even more important in virtual teams; in the background research, people interviewed stressed the importance of face-to-face meetings to solidify virtual teams.

Lipnack and Stamps posit that it takes more than one leader to lead a successful virtual team; many authors assume without discussion that a team needs a single leader. Although ranking members of the team may be confusing, specialization abounds in virtual teams; one’s area of expertise most often defines one’s role in task-oriented virtual teams (discussed later in relation to the approach taken toward the organizational contribution). Also

important is investing in face-to-face meetings for the start-up and launch phases (of the virtual team), reserving time for meetings to assess team progress, creating breakpoints where the team converges and realigns its work, and celebrating success. Lipnack and Stamps quote John Case and John Schuster, “Open-book management that advocates providing essential information to everyone in the organisation is one way to contribute trust to the environment” (p. 228) and James Coleman, “Social capital is the ‘structure of relations between and among actors,’ individual or organisation”(S98).<sup>30</sup>

Lipnack and Stamps claim that TeamNets are dynamically balanced between the decentralizing forces of independence and the integrating forces of cooperative interdependence; however, it is relationships that are essential to bind the team together. Also, in networks, leaders appear at the nexus of purpose and commitment, where responsibility is taken and shared work gets done. To be effective in an interorganizational and intercompany relationship transformation involves sometimes either accepting the leading global virtual team’s initiatives or following the lead of others as a contributor or being an observer. Such relative roles may from time to time change by agreement. Additionally, one of the worst mistakes a TeamNet can make is to ignore existing boundary crossings (within and/or between organizations), hence the author’s focus on the social network. TeamNets are multileveled forms of organization, this cross-level, and multiple-role feature of networks being one of its sources of power. In another context concerning research on communication patterns, De Meyer discusses the importance of the role of “boundary spanning” individuals, persons who have the capability of monitoring what is going on in the outside environment and translating the external information into messages comprehensible to the group to which they belong;<sup>31</sup> this is a likely attribute of the role of the author.

## **Strategic Interorganizational Relationships**

Lipparini and Fratocchi note that there is an emergence of transnational organizational architectures (TOA) in which value-generating activities are distributed among different countries and actors, then recomposed at the corporate level without losing efficiency.<sup>32</sup> They also discuss the concept of a central actor, an actor of high relational intensity with interfirm architecture management (or boundary crossing) and leveraging functions; this would broadly equate to the role of the author in the Vodafone-Ericsson case. Although the context of this approach (a single organization) is at variance to the discussion in this book, the roles and competencies of the center of the organizational architecture are broadly valid; however, the case context in this book is both interorganizational and intercompany, including two global organizations (that of the supplier and customer) within which each has multiple companies geographically dispersed. The strategic roles proposed by Lipparini and Fratocchi are those of global scanner, relationship builder, competencies combiner, functional coordinator, system integrator, and strategic orchestrator. Finally, they point out that TOAs are characterized as

metastructures that embrace the external relationship fabric; TOAs have organizational and geographic boundaries, which can rapidly be redefined, as can focal points and centers or perhaps intergenerational virtual team clusters of excellence, as in the emergent social network in this case.

According to Lewis, within transaction relationships information sharing is limited, whereas in an (interorganizational) alliance one cannot define every detail; the most important dependency is trust (and the open sharing of information).<sup>33</sup> Lewis comments further that in an alliance mutual trust means that you can depend on each other to adapt as necessary, as it may entail changes within which clear outcomes are not known and therefore cannot be planned in advance, somewhat consistent with the “process-oriented” journey metaphor.<sup>34</sup> It is important to recognize that alliances live through people, and when top executives work together, the subordinate teams know that it is safe to cross boundaries; that is, only with joint leadership can you expect joint fellowship. Lewis also suggests that consistent (meaning the same) joint leadership at policy and operating levels from early negotiation through implementation is required for interorganizational alliance success. As will be shown in our case, however, although the substance of what is espoused holds true, the suggested formalities of boundary crossing were not in evidence, as such activities were bound in social networks and the ensuing social capital therein.

The literature does not explore how individual-level knowledge affects the formation and management of an interorganizational relationship or how the individual-level efforts shape the structure of an alliance, even though they play a critical role in the formation process.<sup>35</sup> In the Vodafone-Ericsson and the later case discussions, however, this is particularly relevant given the author’s leading role in the transformation of both the interorganizational and intercompany relationships. It is relevant as well for the other actors representing either a global organization or any of the involved companies in the globalization initiative.

Larsen notes that a very important concept in the area of interorganizational cooperation is the “network.” Given the sometimes contradictory use of the term in the literature, the term “global social network” (consists of an almost infinite number of connections between actors or nodes or various interdependent, independent or linked clusters, many of which have a purpose) is used to denote the underlying social relationships, wherein each person is seen as a node connected to a number of other nodes.<sup>36</sup> Superimposed on the global social network are a number of purposeful arrangements whereby organizations or the individuals in them cooperate across organizational boundaries. Larsen states further that when interorganizational arrangements are created, new relationships appear between existing nodes in different organizations. Researchers have analyzed various forms of interorganizational arrangements with respect to temporal rigidity (how long a set of organizations is likely to maintain the relationship) and hierarchy (power vested principally in one organization is regarded as centralized in contrast to distributed or decentralized power sharing). Although the objective was to create a framework to help researchers in the virtual organization field,

there is not a category as defined that fits the contexts espoused in this book, which in the terms of the analysis is between a virtual organization (distributed power, short term) and a satellite organization (distributed power, long term).

One motivation for the use of interorganizational networks is to strengthen existing commercial relationships and lock in partners by increasing the costs of switching to new trading partners.<sup>37</sup> In this case the prohibitive costs of switching the supply partner is borne in the complexity and limited interoperability between suppliers of the network infrastructure being acquired, in contrast to any lock-in derived from the mode of networking between the two global organizations. In fact, as will be demonstrated, the value of the business to business networking is related to the sharing of common information about both the interorganizational relationship, within which transactions may also be executed. The costs of creating this virtual space are somewhat immaterial in the overall equation in this case. Contrary to the conclusions of Steinfeld et al., a major value of networking in the virtual environment in this case was to break down organizational hierarchy by creating a horizontal global relationship.

According to Chisholm, a network is a set of autonomous organizations that come together to reach goals that none of them can reach separately.<sup>38</sup> Chisholm states that the formation of interorganizational networks represents a response to the complexity and interdependence arising from the extensive collaboration at different levels in the organizations, the emergent situation in this case study.

Chisholm presents the key features of the socioecological view of interorganizational networks, based on Trist:

*Interorganisational networks operate as abstract conceptual systems that enable members to perceive and understand large-scale problems in new ways.*

*Networks differ from interorganisational relationships because they improve the ability of the organisations to deal with ill-defined, complex problems or issues that individual members cannot handle alone. Such activity is oriented to the shared vision, purpose, and goals that bind the members together.*

*Loose-coupling and voluntary participation are other features of these systems, which rest on horizontal rather than a hierarchical principle: one organisation or member does not have a superior-subordinate relationship with another.*

*Network organisations are self-regulating wherein the members and not a central source of power are responsible for developing a vision, mission, and goals for initiating and managing work activities. The shared vision provides the context that orients all network activity.<sup>39</sup>*

Chisholm suggests further that a network steering committee should govern the network, guide the network activities and network development, and link the network continuously to member organizations and the larger outside environment. The steering committee should include representatives from all stakeholder organizations and groups involved in the network, and the members should have enough authority to speak for their organizations and

commit them to network decisions. Chisholm also discusses task forces and states that having a focal point for communication and coordination is crucial for networks to function. The author demonstrates through the experiential evidence presented there was indeed emergent and variable informal steering functions within and leading in the social network however the appointments were by invitation from within.

The idea of a corporate global village (in this case, simultaneously variant and multiple intra- and interorganizational) wherein a common culture of management unifies the practice of business around the world is more dream than reality.<sup>40</sup> Further, Handy suggests that it is unwise to trust people whom you do not know well, whom you have not observed in action over time, and who are not committed to the same goals.<sup>41</sup> Trust inevitably requires some sense of mutuality, of reciprocal loyalty; virtual organizations, which feed on information, ideas, and intelligence, cannot escape the dilemma. Handy notes that a shared commitment still requires personal contact to make it real. One solution he posits is to turn people into members; the concept of membership, when made real, would replace the sense of belonging to a place with a sense of belonging to a community, even if that community were a largely virtual one.

## Organizational Culture and Leadership

In the context of transformation and boundary-crossing individuals, Daft provides a consolidated view that transformation leaders share these characteristics:

*[Transformation leaders are] characterised by the ability to bring about change, innovation, and entrepreneurship. Transformation leaders motivate followers not just to follow them personally but to believe in the vision of corporate transformation, to recognise the need for revitalisation, to sign on for the new vision, and help institutionalise the new organisation process.*<sup>42</sup> (p. 507)

Transformational leaders build a coalition to guide the transformation process and work to develop a sense of teamwork among the participating groups. Such a coalition should include people from all levels of the organization who can engage the commitment of others (within their company and/or organization) and successfully guide the transformation process (to the achievement of the realization of the business objectives). The so-called coalition of the author was his own social network and the social capital built up therein, combined with all such other similar networks at all levels built up by all of the other people in the globally dispersed virtual community.

A real team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and an approach for which they hold themselves mutually accountable.<sup>43</sup> When this criterion cannot be met, then they will rely on individual leadership skills that they have developed over the years. However, with trust as a foundation, companies—or groups within companies—can share their know-how to achieve results that

exceed the sum of the parts.<sup>44</sup> The author, being more mature in years, saw the opportunity beyond his own experiential learning as one of engendering a global ethos into a group situation that, if left to its own devices, might continue to think “locally.” Instead, what was created were virtual communities joined in a mission in common and absent of discrimination either in participation or benefit, somewhat contrary to normal management thinking and practice; often the “law” is determined by the “big guy” or the one with the most political smarts.

All of the aforesaid was experiential learning that emerged from the early endeavors in the Vodafone-Ericsson relationship, and all was industry leading and formative through which an organizational model for the management of transition to globalization was created.<sup>45</sup> The merger with AirTouch and the acquisition of Mannesmann AG introduced additional new Vodafone operating interests, several of which had established principal supplier relationships with companies other than Ericsson for provision of mobile network infrastructure.

Schein embarks on an alternative perspective, arguing that although leadership is often discussed as a critical variable in defining success or failure of organizations, one needs also to examine the complement of how leaders create culture and how culture defines and creates leaders.<sup>46</sup> Of relevance to this case and its emergent social network is the notion that culture is to a group what personality or character is to an individual, phenomena that are below the surface and powerful in their impact but invisible and to a considerable degree unconscious. Culture is the result of a complex group learning process that is only partially influenced by leader behavior (p. 11). Schein’s formal definition of culture is “a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (p. 17).<sup>47</sup>

Schein differentiates between leadership and management, stating that leadership creates and changes cultures, whereas management and administration act within a culture. His discussion that a critical issue in any new group, such as the virtual and global social network formed in this case study, is how influence, power, and authority will be allocated has hierarchical connotations that were not present in this case. The nonhierarchical horizontal community formed in this case, being informal and yet a powerful learning organization that delivered significant economic results, was not subject to the traditional management and leadership styles, yet it had its own persuasive culture for those engaged therein.

Although the author had a leadership role in this case, the view taken was that the cultural strength was vested in the collective power, expressed in influence to bring about the desired and sustainable outcome, and not in the hierarchical position of the actors in the group. This was evident in the author’s approach in global meetings of progressively moving over time to the rear of the room in group meetings to allow others in the extended group to take on leadership roles. Of importance to note is that in this case the

“group” was formed within and between the different global organizations, which perhaps extends the dimension of what Schein may have had in mind, which is more aligned to an organization or company or combination thereof.

Another defining factor to be considered in the success or failure of a group is the conduct dynamic of the participating actors. In the initial forum between Vodafone and Ericsson, a Swedish company, there was simultaneously a high level of group engagement and an absence of individuals seeking to dominate proceedings; from a Schein perspective, a factor defining the culture in what was otherwise a multicultural (in beliefs and origin) gathering of actors from around the world. Although the high-performing outcome of the group was not compromised, there are two Swedish words that perhaps describe the ethos of the group in its moderate but nevertheless industry-progressive endeavor, *Lagom* and *Jantelagen*.<sup>48</sup>

*Lagom* is translated as “everything in moderation” or the “middle way,” that which is “just right.” *Jantelagen*, on the other hand, is a Scandinavian concept with the underlying theme of societally enforced humility and restraint; essentially, self-promotion is not permitted regardless of one’s accomplishments or talents—the idea that being different, particularly if it means being *better than others*, is not something to boast about. Although *Jantelagen* is observed by some as a threat to Sweden’s global competitiveness, such moderate conduct in the proceedings of this case seemed to have served it well and not compromised a successful outcome. The requirement for a sustainable outcome imposed a degree of federalism in that the forward path necessarily had to merge the interests of the participating parties or entities for a compounded and positive benefit in globalization.

## The Messages

This book develops some key messages that are stated here and developed further within the book.

*Going global is a transformational journey.* It cannot be planned or programmed. It requires improvisation and experimentation within a space that is constructive and collaborative but strongly led. Real sustainable outcomes stem from innovation, adaptation, and variously collective and self-motivation within the organizational social network. Transformation of an organization itself is an experiment with an uncertain outcome, although the endeavor should be underpinned by a vision and supporting strategy. There must necessarily be objective leadership with delegated executive support to see the task through, absent of unnecessary bureaucratic or limiting restraint or constraints. Although not envisaged at the time, the Vodafone-Ericsson project was to become a “pilot” for future globalization, thereby establishing a catalyst for radical and transformational change with sustainable impact.

“The art of the good society and of the good (requisite) organisation is to ensure opportunity for the use of their full potential by its entire people”

(page pair 30).<sup>49</sup> Although there is a notion of formality and preordained structure in the words of Jaques, it would be reasonable, however, to conclude that exactly such conditions prevailed or were available for those who sought to take advantage of what was essentially a “greenfield” opportunity, albeit within and between international organizations.

*Going global means going beyond international.* Simple structures are not appropriate—the complexity of equity interests and varying structures across partners (multi- and transnational; highly centralized versus decentralized control) dictates more complex solutions. But direct control over resources is not always essential. The organizational models and modes of operation developed were about the seeding of ideas and the culmination thereafter of the globalization of the preexisting multiplicity of in-country relationships.

Structure does not need to be visible and formalized to achieve effective business results. Many organizations that proclaim to be global are in fact international with a multiple-country footprint, at best often operating in the image of and subordinated to the control and culture of the organization’s corporate offices. In other words, the in-country operations have a “slave” role to the “master” on all aspects of policy, process, and practice. In this book, the emergent models and approaches for true globalization had a high level of informality and were inclusive in operation and practice in satisfying the ambitions of the business. A collective culture and high levels of goodwill toward the acclaimed successes developed from this approach. Further, this book introduces two new counterintuitive stereotype organizational options for consideration in globalization or cross-entity and cultural initiatives.

Most such endeavors are steeped in formalization and prescriptive and perceptive inclusion and do not consider the actual needs versus the ambition nor, least of all, seriously consider securing the knowledge of individuals not in management roles. In a services-based business it is inappropriate for the center to be presumptuous about the customer-facing activities. True globalization operates in general as a homogeneous whole while accommodating local variations for success, absent compromising the strategic endeavor.

*Going global means working together.* Data and knowledge must be shared, and virtual collaboration must occur—across nations, within firms, and across firms. But firms that collaborate must also compete, and ultimately costs are driven down. It is often declared that “knowledge is power”; it is perhaps more appropriate to declare that “shared knowledge is power” or even that the “sharing of knowledge creates power.” The systemized base of knowledge is limited to what individuals are willing or motivated to share; however, people make the difference and create the hurdles to compliance with a rigid IT approach that leaves much tacit knowledge outside the reach of the community. Such knowledge is more likely to be shared only in situations in which there is mutual trust. Corporate knowledge management roles as posited only serve as a deterrent to knowledge sharing unless the corporate culture is open and shares information and is not solely acquisitive for its own corporate purposes that are absent or delinquent in serving the tacit needs of

the user community; compliance or conformance in the former case contrast with being flexible, open, and dynamic, supporting a productive organisational outcome in the latter case.

*Going global involves getting people going.* The success of any venture depends upon the actors involved and their behavior. People must take responsibility for success and act in creative ways without authority. Persuasion, inclusive engagement, and motivation can be more powerful than direction. In transformational organizational settings, the leadership should pay attention to the needs of the individual on the team to ensure that the aspirations of each for achievement and growth are satisfied by the leadership acting as a coach and mentor. Accept that leadership is not a derivative or privilege of rank or of being the boss; instead, the individual situational capacity to contribute to matters in hand is more relevant.

Space within which to innovate, void of the stereotypical process rigor, will lead to personal motivation and recognition through team identity and collective culture that is more powerful than the immediacy of personal economic gratification. Such practices demonstrably lead to the establishment of a requisite organization, as defined at the start of this chapter: “doing business with efficiency and competitiveness and the release of human imagination, trust and satisfaction in work.” Formality and compliance to processes and authorities of past practice or to processes that lack relevance to the timeliness of the business situation at hand are surefire ways to demotivate people, something at which companies are good, wherein compliance is more important than progress or results.

# Index

## Introductory Note

References such as “178–179” indicate continuous discussion of a topic, whilst “66 ... 69” indicates scattered references to a topic throughout a range of pages. Wherever possible in the case of topics with many references, these have either been divided into sub-topics or the most significant discussion of the topic is indicated by page numbers in bold. Only a small number of key references have been given (indicated by “(*key ref(s). only*)”) for topics that are mentioned dozens or hundreds of times without ready breakdown into subheadings.

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