



# THE NEW BUSINESS COSMOPOLITANS

BY ROSABETH MOSS  
KANTER

The process of globalization easily becomes a self-fulfilling prophecy, both a cause and effect of change. Globalization requires businesses to become more cosmopolitan, and the cosmopolitans who rise to leadership in these companies promote further globalization.

Cosmopolitans are, by definition, members of the world class. They carry concepts from place to place

*Why is it that certain companies are so much better at “going global” than their peers? Because they know when to act locally, when to act globally, when to set a single standard and when to have many, argues Rosabeth Moss Kanter in this adaptation from her new book, “World Class: Thriving Locally in the Global Economy,” (Simon & Schuster).*

and integrate activities spread throughout the world. They act as global Johnny Appleseeds, planting seedlings wherever they go, which

grow into similar orchards throughout the world. Cosmopolitans bring alternatives from one place to another. They are familiar with many places and aware of distinctively local characteristics but see beyond the interests of any one place because they are linked to a wider world and can move between and among places.

Cosmopolitans have a career and financial stake in finding commonalities or creating a more universal way

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that transcends the particulars of places, which gives them power and control. Some locals, in contrast, benefit from maintaining differences, arguing for the distinctiveness of their own particular way, which gives them jobs as experts, interpreters, gatekeepers and local managers. Business cosmopolitans have an economic interest in making places more similar, not by reducing choices to a single one-size-fits-all, but by increasing the range and variety available everywhere. This is a subtle but important distinction. Similarity of places emerges in the global economy not because of homogenization, but because the same diversity coexists everywhere. There is more variety everywhere and a similar variety everywhere, with differences only in emphasis.

As cosmopolitans spread universal ideas and juggle the requirements of diverse places, they manage resistance to change from locals who see their power eroding. Cosmopolitans face decentralizing pulls in their own organizations, such as reasons why an idea from one place won't work in another, resentment of world concepts because they restrict local identity and options and legitimate concerns about how well concepts from other places fit local needs. The job of cosmopolitans is to

bridge such differences and resolve them so that companies can operate efficiently on a global basis. Cosmopolitanism is a mindset that finds commonalities across places. And globalization in one aspect of business inevitably leads to globalization in others.

### THE PUSH FOR COSMOPOLITANISM: THE GILLETTE CASE

The first place to look for cosmopolitans is inside large international consumer goods companies such as Gillette, a company that is both

responding to the global shopping mall and creating it.

Founded in Boston in 1901 by King C. Gillette, the Gillette Company was already selling in eight countries by the start of World War I 13 years later, joining only a handful of American international companies such as Singer, Hershey, Kodak and Standard Oil. Today more than 70 percent of Gillette's \$6 billion in sales and 75 percent of its 31,000 employees are outside the United States. The company's impressive financial performance is a result of its global growth strategy; profits grew



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Businesses are becoming more coordinated across borders, not necessarily more centralized. They transfer ideas across places, even if they do not move facilities or people. And once companies reach for world-class concepts, the logic of world coordination in other areas follows. World coordination then pushes the development of world standards. To the extent that larger companies seek the means to transfer resources, ideas and people smoothly and quickly across borders, smaller companies also gain access to mechanisms that help them form networks. To succeed involves being well connected, not necessarily big. This helps explain why the argument still rages about whether globalization favors large multinationals or small-niche competitors. The answer: Neither or both.

To some analysts, the large globalized company is associated with market dominance so great that it transcends the efforts of the nation-state to control economic life. One group proposes that giant global companies have already lost their national identities and have replaced governmental power. They argue that a few hundred giant "imperial corporations" control the flow of money, goods and information across the world: Sony, Bertelsmann, Philips,

13 percent a year from 1989 to 1994.

Gillette is the world leader in the manufacture and marketing of blades and razors, reaching more than 200 countries and territories. Gillette also holds a major position in North America in toiletries and is the world's top seller of writing instruments, with Parker Pen and Waterman of France recent acquisitions. Braun, a German acquisition, is the No. 1 marketer of electric shavers in Germany and is among the leaders in Europe, North America and Japan, as well as a strong competitor in other small-appliance segments. Oral-B, another recent acquisition, is a leading seller of toothbrushes in the United States and other markets. Gillette has 58 facilities in 28 countries.

Over the last 10 years Gillette has evolved from a classic multinational to a self-described global company with world-class products that are sold in nearly every country. "For us," said Alfred M. Zeien, the chief executive, "nothing is a core category

unless it's global, and we can have clear leadership."

FROM STONE AGE TO  
WORLD CLASS

In the 1980's, Gillette discovered the new consumer who knows about the world's latest and best and wants it now. Prior to 1987 the company operated by what Mr. Zeien called the "Stone Age theory" of marketing, which dictated a slow spread of concepts from the home market to the hinterlands.

"Just as mankind progressed in stages from the Stone Age to the

Bronze Age to the Iron Age," he told me, "we thought we had the right product for a market based on the stage of social development of the country. In the 1950's we made carbon blades. We moved to stainless steel in North America in the 1960's, but carbon was still O.K. in Latin America because we thought people there would have to go through the carbon

period. With this theory, we could write the Papua New Guinea market-

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ing plan for the year 2040, when American products from the 1980's would finally arrive there."

That theory broke down with experiences in the mid-1980's, such as the one in 1984 with a 50-50 joint venture in China. The venture was in competition with a Government company, so output was restricted to 9

percent of the market, but Gillette was able to develop a sales force in China. "After a few years we found that our sales force was selling in dollar value more in imported Gillette products than the products made in China," Mr. Zeien recalled. "This meant that enough people in China knew about advanced shaving systems and didn't want old-style local blades."

A changing world would kill Gillette's business under the Stone Age theory, he said, because "the consumer in other parts of the world wouldn't accept what was sold in the United States 15 years ago. World communications had fundamentally changed the theory. If you go to

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Jakarta, people read the same kind of news, watch the same kind of TV. There was no reason that X percent of the population there was not ready for an Atra razor." Now Gillette is moving its latest technology to China. In India, the push now is Atra. And in a reversal of past practice, if product launches cannot be perfectly simultaneous, the home market is not always the first to get

the newest product; SensorExcel was made in the United States but appeared first in Europe.

New retail trade behavior is another force for global products and simultaneous rollout. Standing between Gillette and its more sophisticated world consumers are ever more powerful retail chains. In the 1970's Gillette first launched its Trac II razors and blades regionally in the United States, then nationally. But large retailers, starting to consolidate nationally and seeking economies of scale, rejected that approach. To sell to major trade customers such as discounters Target, Kmart or Wal-Mart in the United States or Safeway supermarkets and Boots pharmacies in

Time Warner, Matsushita and Disney dominating a "global cultural bazaar" for information and entertainment; Philip Morris, RJR Nabisco, Nestle, Sara Lee and Heinz dominating a "global shopping mall" for consumer products; Citibank leading in a "global financial network."

It might be farfetched to say that international corporations replace governments, but certainly their ability to operate effectively in more than one place gives them immense bargaining power in negotiations with governments. When Asea of Sweden merged with Brown Boveri and moved to Zurich in 1987, its power grew.

"Fifteen years ago, Asea was a Swedish electrical company with 95 percent of its engineers in Sweden," said the company's chief executive, Percy Barnevik. "We could complain about high taxes, about how the high cost of living made it difficult to recruit Germans or Americans to come to Sweden. But what could Asea do about it? Not much. Today I can tell the Swedish authorities that they must create a more competitive environment for R.&D. or our research there will decline."

Still other observers, noting fragmentation in the European Community and the success of smaller, entrepre-

neurial high-technology companies operating through networks of partners, see just the opposite. Indeed, it is not hard to find examples of competent local, or regional, niche players outcompeting global giants even in industries once considered prime targets for global consolidation. The success of niche competitors such as Southwest Airlines, for example, challenges common wisdom that only a few large international airlines will survive. Deep knowledge of a local or regional market and a cost structure appropriate to it offer advantages against giants.

This controversy itself reflects the paradoxical nature of the global economy: the coexistence of globalizing consumption and localized distribution with cosmopolitan leaders helping them to live together.

Globalism leads in information and communication, and that, in turn, supports convergence of tastes. Protected markets dominated by national champions are disappearing. Nearly every industry is being opened up to some form of competition from outside the traditional territory, even if it is only "theoretical" competition from knowledge of the existence of better products in other markets realized by travelers who cross borders to shop. Within

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Britain, Gillette now must launch products simultaneously in all of its large customers' markets.

INNOVATION AND GLOBALIZATION

For Gillette to dominate its central razor-and-blade category and avoid a slide into producing a commodity at the hands of demanding trade customers who can make or break products while squeezing a producer's profit margins requires substantial innovation. The magnitude of investment necessary for a leap forward in both product and process technology is a further reason why new products are increasingly global products. Economics dictates international markets for products that require investment too heavy for a single market to carry.

"The name of this business is products," Mr. Zeien said. "We are not magicians of marketing; we are only as good as our products." In 1987 the Sensor razor concept had the potential to make a significant difference among

consumers and trade customers. Sensor was an innovative product idea linked to a series of significant technologies neither Gillette nor its competitors had available, such as high-speed precision laser welding. The new technologies Gillette pursued for the Sensor required for payback a market much bigger than the United States home base. At about 3 percent of sales, Gillette's research spending was unusually high for the industry. The Sensor project required about a quarter billion dollars in technical resources and equipment alone.

Gillette needed to marshal global resources to develop, produce and launch Sensor across many markets starting in January 1990. Sensor was the first product of great magnitude Gillette rolled out globally, although the company had tried it previously with lesser products. The time lag between launch in North America, Western Europe, Japan and most major countries elsewhere was just a matter of months. Exceptions such

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as Brazil and Turkey, where the product was held back a little longer because of special circumstances, followed quickly.

A simultaneous world launch is possible only if the company can treat the world as one, planning advertising, marketing and packaging on a global basis. Gillette consolidated global advertising at headquarters, working with fewer global agencies that could design world campaigns for translation and adaptation to local markets. For new products such as Sensor or Gillette Series toiletries, a world strategic marketing

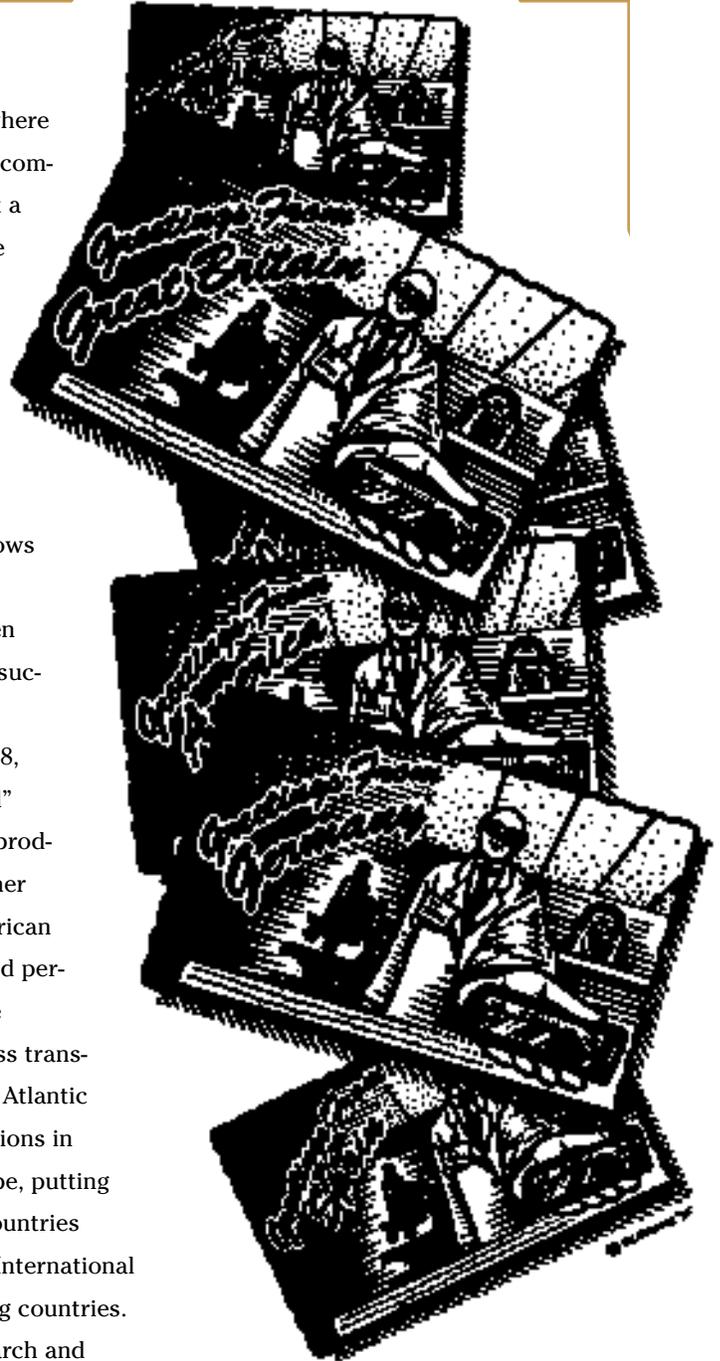
plan is done in Boston, where the company is based. A commercial such as the “Best a Man Can Get” is the same across the North Atlantic, with the local language dubbed in.

#### REORGANIZING FOR GLOBALIZATION

Global structure follows global strategies. Gillette restructured to strengthen its global focus after the successful conclusion to a takeover battle in 1987–88, adopting a “transnational” organization for its core products similar to that of other global giants. North American and European shaving and personal care activities were grouped into one seamless trans-Atlantic body. The North Atlantic group integrates all functions in North America and Europe, putting most of the developed countries under one head. Gillette International focuses on the developing countries.

Manufacturing, research and development and engineering for razors, blades and toiletries were combined on a North Atlantic basis. Research and development had formerly reported up through a chief technical officer, manufacturing and marketing were under a division mar-

keting president and technical operations reported to a corporate senior vice president, coming together in the chairman’s office. Gillette’s new world products needed “concurrent risk-taking” in which all functions worked



any country of the world, there is a growing pool of more sophisticated customers with access to the best the world has to offer. They no longer have to choose the local product or service as the only alternative. Among many problems for Euro Disney, for example, was the fact that European tourists could almost as easily, and sometimes more cheaply, go to sunnier Disney World in Orlando, Fla.

Even when people accept, and sometimes prefer, foreign products (why else would McDonald's be one of the best-known American brands worldwide?), they support local sovereignty. The French go wild for American movies but support legislation banning English from billboards.

Local jurisdictions set the rules. Local distribution channels require specific, differentiated relationships within a country. When Japanese management guru Kenichi Ohmae exhorts companies to undergo "insiderization" in order to be globally effective, he is referring to relationship building with local officials, distributors and opinion leaders. Large international companies are not immune to local and national politics. The Renault-Volvo alliance fell apart not on economic grounds, but on political ones: the concerns of Volvo's

together, mutually agreeing to invest and "all finishing in the same bob-sled," as one executive put it. The functions can thereby balance costs that differ with project stage. And factory operations report no longer to a country manager, but to a group operations manager in Boston.

In deference to the growing power of retail customers, country managers now concentrate on local trade marketing. Gillette has increasingly put more of its best people in trade relations positions, mounting teams to work with key customers in the United States and Europe on strategies for production planning, warehousing, distribution or pricing across product categories. Key account managers are connected through a sophisticated computer network system.

**WORLD STANDARDIZATION**

When a global structure is adopted, global systems and procedures

soon follow. In internal functions such as personnel or finance, Gillette's systems are also consistent across

the world. Human resource policies are standardized globally to facilitate personnel transfers. For example, the duties of a senior programmer at grade level 14 are the same in Germany and the United States, although exact compensation is determined by local market rates. A single system of job evaluation supports exchange of people. Financial records are kept identically

so that an assistant controller in one unit can become a controller in a new unit elsewhere. Gillette managers acknowledge country differences but still prefer to treat the world as one. "Language and social things are different," an executive said. "We try to get people to speak the local language. But we also require operating committees in small countries to speak English."

To staff its professional and managerial ranks, Gillette taps a

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world labor market, competing across the United States and the world for marketing talent, for example, with Procter & Gamble, Johnson & Johnson or Colgate-Palmolive. Furthermore, a cosmopolitan perspective is required to make global integration work everywhere. Thus, world transfers are common at management levels, in research and development and at the highest levels in the factories, although the absolute number of professionals serving outside their home country at any one time is about 400 out of about 8,000. Of that 400, fewer than 50 are from the United States, but as the company's former human resource chief, William McMorrow, observed, "Of the top 20 officers, under 20 percent have not served abroad." Mr. Zeien, a first-generation American, spent nine years abroad, mostly in Germany.

A sampling of key people in Boston underscores the importance of world transfers. The South Boston factory facility manager came there after a

similar post in Britain. The new head of Oral-B was a Dane who worked for Braun in Finland and Germany, and then headed Braun's United States operations. His boss, the new diversified products group chief, was French; he had started with Gillette in France, left to teach at a business school in Lyons, returned to Gillette in France, then ran Oral-B in California and Braun in Germany. Tours of duty through Boston are one element reinforcing a common Gillette world culture. People from international facilities are in and out of corporate offices frequently.

Divisions convene people worldwide for regular conferences. The North Atlantic group holds operations meetings on both sides of the ocean.

Gillette aspires to abide by the same principles everywhere. With respect to environmental issues such as air pollution, Gillette's policy is that there is the same standard in Boston as in Bhiwadi, India

(a place Mr. Zeien invoked often because he visits frequently). "After

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Swedish stockholders about continuing French Government involvement in Renault. This is why there will always be a need for people with deep local connections who are trusted by the locals. In fact, global companies need them more than others, to permit local acceptance of their world products.

Even highly local activities, however, are becoming more cosmopolitan. As large international companies globalize, they create a "globalization cascade" effect. Integration across markets in one industry pushes integration across markets in adjacent industries, which, in turn, reinforces and extends integration in the first. Global consolidation in one industry pushes that industry's suppliers and customers to develop international bases and meet world standards in all of their local sites.

Each then has a stake in reinforcing the others' cosmopolitan thrust. Together they encourage governments to loosen local restraints, develop policies compatible with the rest of the world and facilitate cross-border activity. And they develop cosmopolitan leaders who carry concepts from one place to another, pressuring local units to reduce their differences and join the world class.

all,” he said, “it’s the same world, the same air.” However, execution of those standards might not occur at the same time, he added, because “the wherewithal to accomplish it is different,” depending on the local government, local contractors and infrastructure support.

Creating a world company in which people move easily across places makes it inevitable that ideas and standards also converge across places. “Much of what we do is because we couldn’t live with our employees otherwise,” Mr. Zeien said. “Our culture would reject anything else. We can’t have people come to Boston from international operations and learn that we treat them differently.”

#### WORLD MODELS

Gillette’s role models are the companies it considers the best in the world. Urged on by its strategic planning chief, Paul Fruitt, Gillette compares itself to companies such as Johnson & Johnson for management style; Coca-Cola, Rubbermaid, L’Oreal and Sony for new-product, high-performance orientation; and 3M and Hewlett-Packard for innovation.

“We never lose sight of competition,” said Edward De Graan, head of manufacturing and technical operations. “We study Bic and Warner-Lambert’s Schick to make sure our

products perform better for the consumer.” Benchmarking occurs item by item. For plastic components, Mr. De Graan might look at other companies that produce billions of parts the way Gillette does for Sensor, comparing performance against Kodak cameras or toy companies. Gillette seeks best practices worldwide in cycle time,



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material handling, statistical controls and measurement techniques.

As technical talent becomes more portable and useful ideas pop up anywhere, Gillette’s sources of ideas are increasingly international. The home base Boston area has the

Massachusetts Institute of Technology, but it is also only a plane ride away from other sources of technology, including Europe. Massachusetts is no longer Gillette’s primary research site; R.&D. is dispersed over 10 centers, including the British lab that did the initial research work for Sensor and constructed its prototypes. “We know we have to compete on a world stage,” Mr. De Graan said. “We have to be in front using the most sophisticated technology. . . . We can’t put our arms around it only in Massachusetts or the U.S. Technology is exploding worldwide, and it’s easily available.”

#### WORLD SOURCING

It’s an easy step from finding good ideas anywhere to finding good suppliers anywhere. About 62 cents out of every dollar of product cost is spent with suppliers, who play a key role. “We look around the world for what’s best,” Mr. De Graan said.

World-class suppliers develop custom tools and machinery, such as the innovative equipment for SensorExcel that performs a two-color molding process joining two dissimilar materials in a single setup. Klockner Ferromatik, the press maker in Germany, ships this sophisticated technology around the world, including into a Chinese industrial zone near Hong Kong.

Gillette's South Boston razor-and-blade factory works with an array of certified vendors whose products can be shipped without incoming inspection. Because the company does not see the infrastructure to support industry as leading edge in Massachusetts, it searches the world for production components. Nypro, a plastics molder in western Massachusetts, is among a handful of suppliers not because it is local, but because it is world class, serving as Gillette's partner for its Sensor for Women line. For the most part, machinery comes from German manufacturers, steel from Hitachi Metals and British Steel, mold makers from California and Europe, die makers from Pennsylvania and the Midwest. In the factory, I spotted American flag stickers adorning a German machine and wondered what message local workers were trying to send about the presence of so many foreign suppliers.

### WORLD PRODUCTION

Gillette's manufacturing operations are standardized worldwide so that production can move from place to place rapidly. Worldwide standards with the same specifications and tolerances everywhere permit maximum geographic flexibility. "We have about 60 factories making several hundred different products in more than 1,000

versions in about 200 markets," said Mr. Zeien, an architect of global production. "For every finished product, we are also moving parts around. Every day we are trying to figure out where to make product A to go to market B based on exchange rates, who has capacity or anything else that offers cost advantages. If there's



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a shortage in production runs in Istanbul, tomorrow we can supply from elsewhere."

Computers and faxes significantly increase the feasibility and efficiency of global scheduling. Daily production reports from each location reach

the Boston headquarters 48th-floor control point quickly, replacing the previous system of time-consuming phone calls and labor-intensive manual recording of data transmitted through armies of clerks before getting to decision makers. To Mr. Zeien, having teleconferencing equipment in the room next to his office means that "now it doesn't matter if the manager is 500 or 5,000 miles away. Major communication, such as updates on the status of a program, used to be face-to-face. A manager couldn't just send in a report or communicate on the telephone; he came to Boston with a carousel of slides, had dinner. Now communication is so simple here." Boston staff can telecommute from their households to world operations.

Manufacturing has been consolidated into fewer plants worldwide. The company "never ceases evaluating manufacturing capacity," according to Mr. McMorro, the former human resource chief, especially as it enters new markets with local production in countries like China and India. But total productivity is more important than wage rates, so Gillette operates some of its most important factories in some of the world's most expensive places.

With 1.45 million square feet, Gillette's South Boston plant is almost twice the size of the next

largest United States facility and alone over a quarter the size of aggregate manufacturing space for razors and blades and toiletries outside the United States. Three thousand people work there, two-thirds of them in manufacturing, the rest in research and sales. South Boston is the leading world manufacturing center for razors and blades; Berlin, known for highly skilled workers, is the only comparable one in size and sophistication and the only other plant making Sensor. Plants in Brazil, Mexico and Britain also make razors and blades.

Technology requirements affect human resource requirements. To match Berlin's highly productive, highly skilled work force, the Boston Sensor workers had to be upgraded. Sally Harrison, production head for Sensor, recalled the evening meetings in the cafeteria every Thursday with all operating managers during the startup crunch for Sensor in Boston. One big problem department managers faced initially was worker com-

puter and numeric literacy. Longtime Gillette employees and new hires alike took training programs for the sophisticated, computerized work systems and measurement techniques that would come with Sensor technology. People were comfortable with an entirely visible operation; now the operator's job is one where the product and process are machine controlled and not visible — for instance, 13 laser welds in a millisecond for a single part and 150 parts per minute.

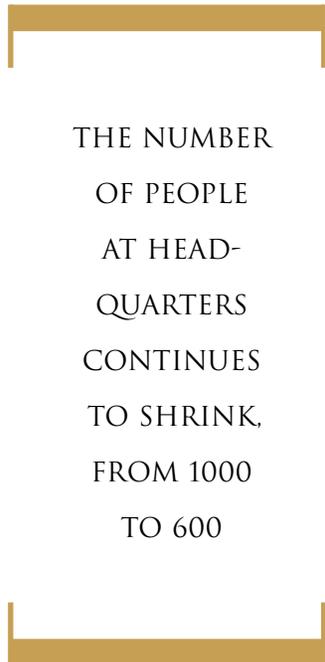
"When it's going that fast, you can't control it visibly," Ms. Harrison explained. "You need instrumentation. You need to look at quality measures like sigma limits. This is not an easy concept if you don't understand averages." So Gillette stepped back to teach computer language and math classes in the plant. "People, especially longtime employees, resent being told to change. 'You never told me that when you hired me. I was not hired to be a computer operator.'" Nonetheless, a relentless pursuit of

productivity within the plant involves constant training and puts workers on teams suggesting improvements.

Throughout South Boston, production workers have become more aware of their place in worldwide manufacturing. Production workers for SensorExcel in 1993, for example, knew that their product was not to be sold in the United States yet, that it was for Europe first. Press clippings from around the world adorn employee bulletin boards, such as stories about Gillette's activities in India. Berlin and Boston exchange improvement ideas and performance information. Long walls in the factory are covered with graphs about every aspect of production in both places; Ms. Harrison compares notes weekly with her Sensor counterpart in Germany.

#### LEADERSHIP FROM ANYWHERE

Gillette corporate headquarters is small, unpretentious and largely invisible to the public. It is "much less important than the factory and facility in South Boston," an executive said. Far from the opulent symbol of corporate power many companies erected in past decades, Gillette's headquarters occupies a dozen almost anonymous floors in the Prudential Tower high-rise. The number of people at headquarters continues



to shrink, from 1,000 down to 600, as activities are shifted to other locations, nearby and around the globe.

As Gillette becomes more globally integrated, locations away from headquarters serve as the lead for projects or planning on behalf of the world. Divisional headquarters for Oral-B, for example, is in California, while its lead manufacturing facility is in Iowa. Braun, with headquarters in Germany, runs plants in Germany, Spain, Ireland and Mexico. A corporate unit coordinates information technology, but dispersed manufacturing staff might lead projects for new software developments.

Increasingly, “headquarters” is portable, replacing staff pilgrimages to the center with executive visits to the field. Key managers come to Boston quarterly, but Mr. Zeien travels outside the United States monthly, because, he said, “It’s different when managers come here with their Kodak carousels than when you see them on their home ground, see them

around a table with their key people. And it affects commitments. It’s easy to agree in Boston, but it means more when they make a commitment in front of their people.”

Gillette contributes to its Boston headquarters community through high-wage manufacturing jobs, charitable donations and participation by some executives in high-profile civic causes. But that’s just a form of dues paying. Gillette’s supply base is worldwide, it can easily shift production anywhere, its local markets are

trivial, recent acquisitions are international and none of its top 10 United States retail customers are in Boston.

**SETTING THE TONE**

Gillette executives liken their new global system to operating across “500 states,” the same way companies operate across 50 states in America. They acknowledge that Kansas City and Kuala Lumpur are different just as New York and New Orleans are,

but these differences can be taken into account by local sales offices,

without challenging the company’s global strategy.

This model of the fully globalized company has been realized only by a handful of giants. Some integrate all operations on a world or regional basis, like Ford, whose new North Atlantic unit resembles Gillette’s. Some organize production on a world basis while maintaining strong country product strategy and marketing systems, like Nestle. Still others, like Disney Consumer Products, maintain strong country organizations but look for synergies across markets. And hybrids call themselves “globally local,” like Asea Brown Boveri, which considers itself a federation of 1,200 national companies with global coordination. Organization structures differ and so do the terms for them, from “multidomestic” to “international” to “transnational.”

Regardless of the shape of the formal organization, the increasingly cosmopolitan outlook of large companies like Gillette is setting the tone for international competition. Through their leadership, the cosmopolitans at the helm of Gillette and other international companies are reinforcing a global culture of management. And by moving state-of-the-art concepts around the world, they are reinforcing the power of customers, wherever they are, to demand the best of the world’s goods and services. **SB**

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