XCEO INK

March 18, 2011
Volume 6, Issue 1

XCEO, Inc.
www.xceo.net

The Globalization of America – Opportunity not Threat for US Business Leaders

Written by David Meachin

Article Highlights

- Looking forward, CEOs and senior managers will need the skills that reflect the reality of American companies owned by foreign, globally focused companies.
- Globalization has the potential to keep the US at the forefront of economic prosperity and growth, and to improve the standard of living of a far larger portion of the world's population.

On January 5, 2011, the Wall Street Journal reported that the "Big Three" of the US car industry for the last century were about to be replaced by a "Gang of Seven" as the industry's driving force. In 2010, Hyundai Motor/Kia's US market share climbed to nearly 5%. If the Korean auto maker crosses this threshold as expected this year, the US market will have seven manufacturers – GM, Ford, Toyota Motor, Honda Motor, Chrysler, Nissan Motor and Hyundai – with market share of 5% or more. That's a dramatic shift from the days when the Detroit companies dominated the market and dictated the industry's direction. It also means that an important number of jobs – often in new state-of-the-art facilities – are created in the US as a consequence of these foreign investors.

In February 2011, Deutsche Börse and NYSE Euronext announced a planned business combination that would leave 60% of the combined company in the hands of Deutsche Börse shareholders.

Previously in the financial services sector HSBC of Hong Kong and London acquired Marine Midland Bank and Crocker Bank in the US; Deutsche Bank acquired Bankers Trust and Alex Brown; UBS, in addition to acquiring Warburgs in the UK, acquired Dillon Reade in the US.

We are also seeing aspirations by an increasing number of Asia/Pacific (Chinese, Indian and Japanese, Australian), European and African (South African) and Latin American companies to obtain controlling interests in US companies.

Against this background, it is hard to escape newspaper headlines proclaiming the demise/diminished role of US companies and related industry dominance. So this is a good time to take stock of the experience of other nations that have gone through "global encroachment."

What actually happened as a result? Did management and leadership skills, job creation, and national growth and prosperity decline as pessimistic commentators predicted? Or did life continue or even improve?

As someone who saw firsthand the impact of foreign owned manufacturing and competition in post-war UK and Europe and in Southern Africa, I can make a case for the benefits. IBM, Ford, Coca-Cola and American Express, to name a few of the most prominent, brought American know-how and marketing expertise to other continents. (NYSE-Euronext itself acquired a Paris-based bourse to expand the NYSE into Europe). The US companies often benefited from exposure to innovative technology developments in Europe (such as the jet engine) and to a broad range of new markets in Europe, Asia, Latin America and Africa.

Without a doubt, this foreign involvement created an untold number of jobs for the citizens of these countries. It helped ensure that domestic companies remained diligent in staying competitive and offered the customer quality, modern products. At the same time however, if domestic companies and their R&D/manufacturing did not stay at the forefront and provide citizens with competitive products, foreign owned companies could – and did (and will) relocate manufacturing facilities to other locations and other nations to maintain global competitiveness. There is an ongoing need to innovate and upgrade.

It may now be the US's turn to witness what Europe and other parts of the world have experienced since the 1950s. Accordingly, management and boards must take into account these challenges and determine what skill-sets leaders will need to be successful in this coming era.

First, let's look at a domestic US example that illustrates how a business can successfully adapt to the changing landscape in which it operates. DuPont was a company that, from its founding in 1802 as a gunpowder mill by Eleuthère Irénée du Pont (a Frenchman) until the 1970s, was a global chemical company governed by family members steeped in the chemicals industry. However, in the 1970s – a difficult decade - the company called on a non-family member – a lawyer – to successfully steer the company. More recently the company's current CEO, the first woman to hold the position, has championed market-driven science to drive innovation across the company's businesses. DuPont is transforming itself into a science-based products and services company.

So too, looking forward, CEOs and senior managers will need the skills that reflect the new reality - American companies owned by foreign, globally focused companies. Such CEOs may or may not be US born, and may be CEOs of either the foreign parent company or the American subsidiary. Sir Howard Stringer, the CEO of Sony, the Japanese parent company, is British and makes his home in the US. The plan is for American-born Duncan Niederauer to be the CEO of the combined Deutsche Börse and NYSE Euronext. Sir Martin Sorrell, who resides in the UK, is the CEO of WPP which owns a number of major US advertising agencies. The new CEO of Nokia, a Finnish company with important activities in the US, is Canadian.

The February 23, 2011 Financial Times reviews the topic "Does the nationality of a CEO matter for a global company?" Those interviewed concluded that the nationality of a CEO does not matter per se, but the characteristics and style of the leader and top team do. Importantly, similar to the domestic example of DuPont above, the required skill set needs to take into account both the external environment and what the the board and management of the company believe the corporate objective to be.

The best business leaders, be they running the overall global company or the US subsidiary, should be able to manage and motivate teams on different continents. They must be able to identify how cultural differences in management styles can make a company stronger.

CEOs need to be true to themselves, their communications need to be well prepared and show that they understand the organization and deliver a clear message. "Get that right and nationality won't be a problem".

I am reminded of a case that was taught during my time as a student at Harvard Business School in the early 1970s – The Singer Sewing Machine Company. It was Singer that brought sewing machines to many parts of the world and removed the drudgery of hand sewing that had haunted women for centuries. During the course of the case discussion a German student stated emphatically: "But Singer is a German company!" He was followed by a French student who equally emphatically stated, "Mais Non! Singer is a French company". In turn I, representing the British contingent, said, "I had always understood that Singer was a British company." I learned later that British royalty attending the opening of a new manufacturing plant in the UK had also been under the same impression. The Americans in the class smiled. They knew Singer had always been a US company since it was founded in 1851. Its history remains a great example of how a truly global company was able to fully integrate itself and engender significant customer loyalty across many countries and cultures.

For US-born CEOs, perhaps New York Mayor Michael Bloomberg's reaction to the NYSE planned Europe/US business combination provides a helpful primer of the way forward. Mayor Bloomberg, a former senior securities executive at Salomon Brothers, has stated that he believes the combination will be very good for New York (and the US). He sees it giving the US additional access to Europe, and Europe access to the US in a way that

"The best business leaders, be they running the overall global company or the US subsidiary, should be able to manage and motivate teams on different continents. They must be able to identify how cultural differences in management styles can make a company stronger."

other competitors do not have. So too the senior Senator from New York is especially interested in the fact that it will open up new markets for the NYSE while New York will remain a major financial center.

European and other foreign business leaders were able to "import" the best of US marketing methods to help grow their businesses and markets internationally under American ownership. Similarly, leaders of American companies owned by foreigners will be able to gain far broader access to innovative technologies from all over the planet, help commercialize these innovations and market them both in the US and around the globe with its ever expanding group of customers. Globalization of America has the potential to keep the US and its citizens at the forefront of economic prosperity and growth, and to improve the standard of living of a far larger portion of the world's people.

About the Author

David Meachin

He founded Cross Border Enterprises in 1991. Mr. Meachin was: Managing Director, Investment Banking Division, Merrill Lynch & Company in New York from 1981 to 1991; Vice President and General Manager of International Corporate Finance in New York and London, Salomon Brothers; Second Vice President in New York and Tokyo, Smith Barney and Co. From 1966 to 1969, he was employed as a Project Engineer for Humphreys and Glasgow Ltd., a London-based international chemical plant contracting company.

Affiliations and interests: David has served on public SEC-reporting company boards for 16 years, during which time he has been a Member of the Executive Committee of the Board, Chairman of the Audit Committee, and Member of the Compensation and Governance Committees. Lyondell Chemical Company, the NYSE listed Fortune 100 Company of which he served as a board member, was sold in a going private transaction. He also served as a Director of Millennium Chemicals Inc. (NYSE), The Ground Round Inc. (NASDAQ), Metha Energy Solutions Inc. (OTC), and The Spartek Emerging Opportunities of India Fund.

He is Vice Chairman of the University of Cape Town Fund in New York and a Director and past Chairman of the British American Educational Foundation. He is an Advisory Board Member of Structured Credit International Corp. (SCIC) and an Advisory Board Member of the South African Chamber of Commerce America (SACCA). He is a Member of The Economic Club of New York.

David is a frequent speaker and forum participant on issues of corporate governance, private equity and investment banking. He has lived and worked in New York, Tokyo, London, Paris, South Africa, and Zimbabwe and traveled extensively on business in the U.S., Canada, Europe, Asia, India, the Middle East, Latin America, Southern Africa, Australia, and New Zealand.

Education: MBA with Distinction, Harvard Business School; graduate qualifications from Cambridge University and the French Petroleum Institute, Paris (Total Oil Company Postgraduate Scholar); BS Chemical Engineering, University of Cape Town; and BS Physical Science (First Class) University of Natal in South Africa.

About XCEO

At XCEO, Inc., we believe individual leadership is the driving force for inspiring creativity and ultimately maximizing intellectual capacity. We provide individual and corporate development in the principles of *Extreme Personal Leadership*®. We call this *X-Leadership* and it is the touchstone of our company.

In today's globally competitive world, intellectual property is a key indicator of long-term success. Corporations and individuals are seeking knowledge intensive solutions to sustain a competitive advantage. At XCEO, we offer *Professional Mentoring and Personal Leadership Development* programs, as well as *Corporate Governance and Board Leadership Development* programs, for high-aspiration individuals and forward-looking corporations.

Through our Professional Mentoring and Personal Leadership programs, we assist individuals in developing personal career and development plans to achieve senior executive-level positions. We also support corporations that recognize the need for a broad array of development options for their high-potential employees being groomed for senior leadership responsibilities.

As part of XCEO's pursuit of enlightened corporate governance, we have created *the Enlightened Corporate Governance Board Performance Evaluation Program* to support boards and directors in their pursuit of excellence. Through our program, we are leading the movement past compliance, toward principled action which maximizes shareholder value. We have designed a set of eight individual and board evaluation exercises which provide an exceptional opportunity for directors to take their boards to a whole new level of effectiveness.

XCEO is a unique research, development and consulting firm. We are committed to excellence and the pursuit of *Extreme Personal Leadership*®. We specialize in inspiration, and endeavor to inspire highly enlightened executives and high-aspiration individuals to pursue maximum personal achievement. We have a leadership team of highly trained and highly motivated colleagues who are eager to serve our clients. Excellence is our goal. We are located in the heart of Silicon Valley and we stand ready to help our clients achieve extraordinary levels of performance and success.

XCEO, Inc.
4800 Great America Pkwy.
Suite 307
Santa Clara, CA 95054

Phone
408.855.0000

Fax
408.855.0004

Media Contact
Belen Gomez
belen@xceo.net

We're on the Web!
Visit us at:
www.xceo.net