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Interview

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“Managing multicultural teams is key to executive success”

Josu Ugarte, Director of International Operations and Chairman of Mondragón Internacional

Josu Ugarte, Chairman of Mondragón Internacional, has ample experience in the field of international operations, discharging a role that has not always been easy. He believes that managing cross-cultural teams should be one of the cornerstones of a leader's work and asserts that the emergence of China as a key player in the industrial world has signalled a huge shift that will push Spanish companies towards “internationalisation” in their search for success.



What basic qualities do you think a global leader should have to face the challenges posed by globalisation and to lead companies that are becoming increasingly more international?

I would say that apart from passion, a businessman must know how to perceive what is happening in the world and to identify major tendencies by seeing a little beyond merely what is going to happen. They should also work with determination, something that is not easy. I think that it is very important to be results-orientated and to be sensitive to social sustainability which, in our case, is quite easy since we are a cooperative. It's in our blood. A leader should of course have integrity and be honest, something that has weight in all cultures. Therefore, one should deliver what has been promised.

What issues must an executive understand to manage multinational teams?

Firstly, humility, empathy, the ability to listen and respect. They then have to identify the differences between multicultural teams - a leader must be able to see them immediately. The difficulty is to identify them and conceptualize them. Companies and leaders that manage to identify the differences between multicultural teams and get everyone to understand them are definitely on the road to success.

During your professional career, what is the most important thing that you have learned about leadership? What fundamental lessons have you learned?

I think that the most important thing, irrespective of the culture in which you carry on your business, is to have vision, to know what is happening in a world that is increasingly difficult to interpret and then to convince your entire team that the direction you have taken is the right one. You also have to do it with passion because, without passion, there is no communication and you cannot get people to commit themselves. And, lastly, determination. Very often we are faced with obstacles that can trip us up unless we have a very clear vision.

In my case it is a little more complex because I have worked in many different cultures. Multicultural training is needed because the ways of working are completely different from one culture to the next.

Do you think that leadership has evolved in recent years? How and where is it going?

It has evolved because the world as a whole has moved on so quickly. There are things that didn't even exist seven years ago. For me, the main change in the world, particularly the industrial world, arrived with the enlargement of the European Union and the emergence of China as a key player, which changed everything radically.

Therefore, our companies have to become international except for those that have cutting-edge technology or top brands, which is not normally the case of industrial SMEs. The big change is multicultural management, i.e. how to try to motivate a national team with various different nationalities. In the end, the main difference is to know what the modus operandi of each of these cultures is and to try to motivate and share the company's vision with them, which is by no means simple.

“One of the keys to managing multicultural teams is to be humble”

In a time of crisis such as the present one, is “internationalisation” one of the keys to recovery?

I don't think that it one of the keys - I think that it is fundamental. Historically, to put it simply, competitiveness meant cost, technology and brand. We were the low-cost country in the market in which we operated (the EU) but we haven't been in that position for some seven years now. I also think that we still believe that the good old times will come back but they won't. The world has changed radically. Cumulative growth in Spain will reach no more than 7-8% over the whole of the next five years. Emerging economies however will grow some 40% and China approximately 70%. That means EUR 100,000 million for Spain and EUR 4 billion for China. We have already seen the earnings of the Chinese industrial companies compared to our own. Spanish sales are approximately 3-4% while sales in China total around 14-15%, i.e., they are more competitive, their results are better and they are positioned in a market that will grow enormously. On the other hand, Spain is positioned in a market that will remain stagnant. We therefore only have one option - “internationalisation”. Only on this basis will we improve in matters such as innovation and branding.

“A leader must be passionate and know how to identify what is going to happen, be results-orientated and, of course, act with integrity and be honest”

We conducted a study of the companies that had become international, i.e. with at least one factory outside of Spain, and we compared 36 of them to 32 that had not. The results were staggering. In terms of international sales or value added, growth at companies that had a factory outside of Spain was nine times the growth of those that had remained in Spain. They had also managed to keep jobs in Spain while companies that did not have a factory outside of Spain had lost approximately 30% of their jobs in 10 years. It is a myth that taking the business outside of Spain reduces the number of jobs here. The opposite is actually true. Growth is taking place outside of Spain at the moment and we have to take advantage of it.

In the search for best business practices, what is being done outside of Spain at the moment that could be of use here?

Leadership styles are different depending on the country. For example, France is much more hierarchical than Spain. The good thing about hierarchy is that when a person makes a decision, everyone tries to apply it relatively quickly. In cultures with a flatter organisational structure, such as ours, decision-taking is a longer process. However, once the decision has been made everyone is really committed to it because they have all played a part. Spain has certain strong points. It is very

flexible and dynamic compared to other countries such as Germany, France and even Poland, which are much more structured. However, it is all relative. The French plan much better than the Spanish but they are more rigid when it comes to putting things into practice. The Spanish however are much more dynamic. Nonetheless, what was considered a huge advantage five years ago is not considered as such now because Spanish executives are perceived as “the Spanish brand”, which was excellent seven years ago, but now things are slightly more complicated.

Spain has some first-class managers and although we are different from other countries, we have strong points and if we can learn from what others do well, we will arrive at a propitious combination.

What advantages does Spain have as a country? How does the outside world view the situation of Spanish companies?

There are various views. With all the love in the world, Spain is not an important entity from China’s point of view. China has a population of 1,350 million, a current GDP of EUR 6 billion and the country is directed as if it were an enterprise. They view Europe and the US as their competitors or their counterparts. Spain is not particularly important in China.

but it is considered to be an important entity in Europe. What attractive qualities does Spain have? It is dynamic, flexible and has a very good image, e.g. in sport. This is very good because sport is always associated with humility. The Spanish football team, Gasol, Nadal, etc. all come across as humble, which is important because one of the keys to managing different cultures is humility. If you are humble, you listen. If you listen, you then have empathy and get the other person to respect you. You therefore respect them and they respect you, something that can be applied to all cultures. The values we are conveying through sport carry a lot of weight.

Which of the many situations that you have experienced during your career has taught you the most as a leader and an executive?

My experience of managing in Morocco was extremely positive from all angles. Management was not as sophisticated because it was a small outfit with 150 employees but it was a very enriching experience. I then went to a company with approximately 2000 employees in Poland That was a slightly more complicated experience. Afterwards, I went to manage a company which had 4,500 employees in France, which proved to be a real challenge. I had to lead a plan for the restructuring of 400 employees and it was very daunting. I even had to practice using actors to be able to face the workers' committees. I really loved the ability of the French executives, almost all of whom had studied at the top schools, to plan and anticipate what could go wrong. When we embarked on a project, we had already planned virtually everything. It was a really difficult but very interesting experience with some immense cultural differences.

Do you consider training to be one of the basic pillars for shaping a leader?

Yes, but first and foremost it must be multicultural training. Virtually all leaders have a degree, an MBA, and so on, but what they didn't teach us was how to manage in a multicultural environment and we were not prepared for the challenge of working with each of our colleagues and each of their cultures. As leaders, we would all prefer everyone to be like us, because it would be much easier to communicate. If I am a fast and dynamic person, I would like all of my colleagues to be so too. But that's not the way it works. Diversity is best. It is better to have people around you with different points of view. Leaders should adapt themselves to each of them and also get them to reach their full potential. It can be an arduous task for an executive but it is also very enriching.

“From the training standpoint, we should prepare better for the challenge of working with each of our colleagues and each of their cultures”

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