

white paper

Global leadership – June 2004

Evidence suggests that there is a link between global leadership development and bottom-line financial returns. The evidence is so strong that Getfeedback* believes that leadership cannot be left to evolve but should be encouraged and investigated further, sometimes even prodded into life. What do global leaders need to understand to do their jobs, and what do we all have to consider when making a judgement about whom we ask to lead our global organisations. This paper only begins to scratch the surface of what is becoming one of the most contentious arguments of our time.

In practice, leadership, particularly global leadership, involves facing some fundamental, obvious challenges: motivating followers; mobilising their knowledge, skills, and abilities; creating and implementing an organisational vision; and managing change. A simple universal recipe for overcoming these challenges, however, has been elusive, and truly exceptional leaders have often assumed almost mythical status, their decisions not entirely explainable by ordinary folk. In response, various schools of thought have arisen as to how leadership can be explained, and how it should be exercised, assessed, conceptualised and even defined. Each of these theories has implications for the understanding and practice of leadership.

Is there any evidence that leaders can be defined? The Global Leadership and Organisational Behaviour Effectiveness research project (GLOBE) is a multi-phase, multi-method project in which investigators spanning the world are examining the inter-relationships between societal culture, organisational culture, and organisational leadership. GLOBE is ground breaking because it defines the principle characteristics of a good global leader. It identifies nine attributes that the successful leader must possess. It is the largest collection of data relating to leadership skills that has ever been collected and provides clear evidence that leaders can be defined.

Globe shows that there is a formula for a successful global leader, anywhere in the world, suggesting that the secret to this entity may not be so mythical after all. For instance, the research finds that in England, organisational culture endorses leaders who aim for a freer organisation with less control, the implication being that those who are led exhibit self control rather than labouring under management control. This also reduces rule-based decision making, giving discretion to those who are able to exercise it.

Approximately 170 social scientists and management scholars from 61 cultures and countries representing all major regions throughout the world are engaged in this long-term

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programmatic series of cross-cultural leadership studies. The scale of the GLOBE research, and the volume of substantive data suggest that it would be possible to build a model by which existing leaders can be measured against the nine criteria referenced by Dr Simon Booth. In fact Getfeedback believes in this possibility passionately, the thinking being that it could develop an objective assessment which could identify good global leaders and by implication, pinpoint the areas in which a leader may need development to become more effective and successful.

Research conducted by Paula Caligiuri, Rutgers University, and Victoria Di Santo, Schering-Plough Pharmaceuticals, concludes that globally competent managers are critical for the future success of all multinational organisations. To address this HR need, many strategic HR departments have initiated global leadership development programmes to groom future leaders. The authors of the research go on to say that there are two inherent assumptions in all global leadership programmes. First, that 'global competence' can be defined in terms of developmental dimensions. Second that, once defined, these dimensions can be developed through global experience.

Any global leadership development model should take into account the numerous developments in science and technology, specifically, how this impacts upon leadership. In addition the cultural and historical issues which set the context of global leadership are crucial considerations. These elements provide the foundation on which the extensive theories of leadership have evolved and how the practice of leadership has developed over time. Since ancient times thinkers have tried to explain what makes certain leaders more effective than others, in order to not only analyse leadership performance but also to predict potential.

Steven Sonsino, director of the Young Professionals Programme at London Business School, pointed out in *People Management*, 13th June 2002, that too little attention is paid to the selection of managers for global leadership development programmes and their eventual repatriation. The implications are that firms need to consult with managers on personality work before they are posted overseas. Sonsino illustrates just one part of a complex problem, how to identify and/or educate a global business leader, and he acknowledges this when he references the research conducted by Paula Caligiuri, Rutgers University, and Victoria Di Santo, Schering-Plough Pharmaceuticals, mentioned earlier in this article. Sonsino suggests that this work builds on a significant stream of literature associated with global leadership development. It is especially significant given the increasing calls for HR and management development practices to lead to real financial returns to the organisation. It also supports other research findings and suggests that to remain competitive, organisations must continue to identify and

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develop their leaders, preparing them for the international business challenges of their later career.

Global leadership is currently undergoing vehement scrutiny. Not since the second world war have the leaders of America and the UK been subjected to such discountenance and close examination. The people making these judgements are from every country in the world; the opinion of nations is fragmenting and splintering. But it is not only individual sovereign states that have ruptured, the unity of continents has been tested, in particular Europe, which is fundamentally split, following the failure of international diplomacy. The UN, for so long a steadfast champion of global peace has seen it's very existence questioned. This is a dramatic period in world history, with the future uncertain. In an atmosphere such as this, the role of the global business leader becomes more difficult. Practical problems such as cross border trade, travel and business negotiations are enhanced by cultural and moral defiance, questioning and general unease from those that the global business leader seeks to lead. Since leaders by their definition must have (and create) followers, the underlying principle that the global leader must consider is that of managing people, without people to lead the leader ceases to exist. Clearly there are a number of core challenges for business leaders in the 21st Century. Identifying these is a challenge in itself. This article will now seek to do so. Consideration of each of these factors below is part of the ultimate goal to provide a validated, inspirational tool-set and competency framework by which leaders can develop excellence in global business management.

Globalisation

The global economy is a defining factor in business life and will continue to be during the next century. The machinery of globalisation is already integrating financial systems, dismantling territorial frontiers and bringing people closer together. National boundaries mean nothing, within the next 100 years, nationhood as we recognise it will become obsolete. Globalisation is unstoppable. Information and knowledge are the most potent equalisers in the business world. For a skilled global business leader the chances for prosperity are limitless. A global business may identify a market in one country as the font of business opportunities whilst the rest of the world will deliver finance, technology, professional expertise and even tax shelter but with these benefits come hurdles. To succeed a global business leader must manage the services that make up the business. If these services are scattered across the globe, a leader will be required to employ a number of 'bridging' skills to make the business work as a single entity, with a common purpose. It is essential to identify leaders within an organisation that possess

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these attributes and are simultaneously able to make use of these skills in a global market place.

Globalisation brings with it a global audience for any organisation. This global audience will almost certainly contain a large percentage of critics who may question a company's actions from a moral and ethical standpoint. Globalisation has magnified the spotlight on every company. A global leader will have to put a great deal of thought into the social responsibility of the corporation. A white paper launched on behalf of ABTA (Association of British Travel Agents) and Tearfund at the World Travel Market 2002 examines this relatively young phenomenon. It references the Co-operative Bank, which, for the first time in 2001 put a price on its ethical stance. It calculated that its policies and practices made it £16 million better off in 2000. This was 16% of pre-tax profits and came even after the extra cost of environmental policies. Once there was just the financial bottom line. Now companies recognise they must be accountable for their social, environmental and economic impacts. The white paper calls this 'the new triple bottom line'. It is important not to lose sight of the main objective though, all this must be done while running a profitable business, a complex challenge for a global business leader.

Tourism, the ultimate global business, is also mentioned in the white paper. On the positive side tourism provides jobs, brings foreign exchange and provides income to support local development. It can also directly support local industry and encourage communities to place greater emphasis on environmental protection. The benefits of tourism often bypass the local population, and tourism related activities can contribute to the degradation of the local environment, putting pressure on scarce local resources such as land and water, polluting the environment and reducing bio-diversity. A leader within the tourist industry must take action to increase the positive impacts and reduce the negative impacts. The paper concludes that this is vital to the sustainability and profitability of tourism. Again the question arises. Is it possible to identify leaders that understand the importance of issues like these and can take steps to actually benefit from them?

Diversity

A global leader will encounter diversity not only in the people that he or she leads but in the places they are led and in the cultures they make up. Far from shying away from this diversity, the successfully global leader will understand and value it, and ensure that the organisation functions well within diverse conditions. HSBC recognises the importance of diversity and has used it as an advertising tool. The latest HSBC television advertising campaign celebrates

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cultural diversity across the world and points out the danger of ignorance. It then goes on to establish itself as an informed, culturally aware, organisation that has embraced cultural diversity and made it part of its business ethic. Whether this is true or not is up to the consumer to decide. The advert concludes with the words 'The world's local bank' a clever slogan, which portrays HSBC as a globally aware organisation that recognises localised cultural values.

The basic concepts behind this advert would perhaps be extolled by Fons Trompenaars, the cofounder (with Charles Hampden-Turner) of Trompenaars Hampden-Turner in Amsterdam, an innovative centre of excellence for intercultural management issues. The firm's work focuses on improving the global effectiveness of organisations by helping companies to recognise cultural differences and their background; learn to value and respect those differences; and reconcile seemingly opposite cultural values.

Cultural diversity is particularly pertinent during this period of global conflict and leaders must possess the ability to be able to embrace it. Dr Simon Booth, of the GLOBE project, cites Hofstede's definition of organisational culture as 'the collective programming of the mind that distinguishes the members of one organisation from another' (Hofstede. G, 2001. Culture's Consequences. 2nd edition. Sage. London). But Booth is clear that there are many definitions of 'culture' and for balance presents at least a second definition from Schein who states culture as, 'the set of shared, taken for granted, implicit assumptions that a group holds that determines how it perceives, thinks about and reacts to its various environments.' Culture resides in three areas: practices, (decisions, rituals and symbols) behaviours, (accepted ways of behaving) and values (assumptions, shared ways of cognitive understanding, values underpinning behaviours and practices). How is it possible to identify a global leader that applies this level of thought to, and demonstrates this level of understanding of, cultural diversity?

Diversity is not restricted to culture, a global leader must be aware of this. The 2002 Workplace Demographic Trends Survey explores the impact of several key workforce trends on 450 respondents' workplaces. Health care costs, diversity issues, training and the ageing population, are all referred to as factors that affect the worker within the workplace, the HR profession and society in general. The statistics from this survey illustrate the huge diversity in place. Of the respondents 82% identified higher health insurance costs; 58% noted an increased need for retirement planning; 57% noted increased training needs and 54% noted employee stress. 52% cited the need for tolerance of employees with different backgrounds, while 41% reported a need for diversity training. The growing number of women in the work

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force brings a need for flexibility related to family issues, according to 66% of the respondents, while 44% reported an increased need for reduced (and more flexible) working hours. Faced with this level of complexity a global leader would be excused for failing to meet the needs of the entire work force. Add to this the problem of cultural diversity within the workforce and then consider that these factors will multiply and become more complex as a business goes more global, the task of leading suddenly seems very daunting. Can you train existing leaders to become this sophisticated and considerate in their strategic thinking, whilst at the same time demanding that a leader makes a profit?

Bayer Corp. President and CEO Helge H. Wehmeier recently accepted an award from Catalyst Awards for a successful, innovative approach to attract, retain and prepare women and minorities for leadership positions. Bayer's successful programme embraces diversity awareness training, multiple mentoring programmes, career development and international delegate programmes, employee networks and succession planning with executive accountability. This confirms that the diversity maze is being entered and explored. In this example Bayer Corp is making it through to the other side. Global organisations cannot afford to be left behind in this movement to embrace diversity.

Technology

There can be no doubt that technology in all its guises presents leaders with challenges and issues of extraordinary complexity with which to wrestle. Harold Wilson, in his 1964 UK election speech talked famously of the 'white heat of technology' and the need to embrace advances and development for the good of the economy and society. But what is technology? Type this question into Google and, in less than 0.1 of a second up pops 73 million responses. This face of technology is easy for us to comprehend because it has already become part of our daily lives. It is already in our culture. But if you had to walk for six hours to get water, what use would Google be? For global leaders, the ability to see the connection between fixing water issues in Somalia to presenting a global business through complex high-speed communications channels is becoming more important.

Technology presents advantage to some and by default, and sometimes design, disadvantage to others. How it is embraced, what should be done with it and how the change required can be managed force massive implications for organisations and their societies. Technology is too broad a topic to capture so easily. To illustrate the issues by example, it is useful to look at two contemporary global issues presented by technological advances. Copyright, and

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communications. Both are linked and both are subjects that must be understood by global leaders.

Copyright, for the time being at least, is a distinctly different issue to patents. It is, however, the rapid growth in communications technology that may force the two to meld together. Computer based communications technology is today the means by which ideas and inventions are shared around the world. Not so incidentally, Getfeedback use computer communications to the great advantage and profit of its clients around the world.

Debate about copyright in the 12th century was not so much of a problem. Sitting in the freezing vaulted library of Tintern Abbey in the shelter of the Wye Valley, had you wanted to copy the bible in all its illustrated gold leaf glory, then you'd be welcome to sit for months replicating it by hand. (When your hands got too cold to move you could meet your brethren in the 'warming house' and savour the smells of the kitchen for a few minutes while you looked forward to your one meal and single glass of beer for the day. You'd only get meat with your dinner if you were sick). Once complete, you might arguably say that you owned that copy because you had made it by your own hand and in your own time, or your employer's time. A physical thing that one could hold and over which one could reasonably claim ownership. Advance some several hundred years and Gutenberg invents the printing press making it possible to copy faster and in greater volume. More people can share ideas and information.

Today the enlightened leaders would think this is a good thing. Back then, the leaders of the day had to consider how to manage an unsettled establishment and social order when the commoner could see and read the bible for them selves. Access to printed material, in greater volume and available for pennies, stimulated the need for people to learn to read. Thus began a rapid sea change in our culture. Information provides people with the ability to challenge, and, as the maxim goes, information is power. To whom should a leader invest such power? What the technology of the printing press unleashed was unrest of an unprecedented nature. The church was not universally agreeable, and other leaders of state and the crown had to react fast to the change, change that demanded the development of new types of leadership. The degree and scale of change continues unabated to this day. In this new era it is easy to forget how new the Internet is Gutenberg's principle of high speed copies and distribution of ideas is now truly global. Copyright today is facing very different challenges. Challenges that global leaders must address. It is no good leaving it to the lawyers. What did the church do when Gutenberg's bibles arrived? How can leaders be prepared for this type of change? The issues of copyright were challenged again in 1841 by Thomas Babington Macaulay in the House of Commons. What he wanted to establish first were the principles of leadership against

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which they had the right to confer an imposition on others. He said, 'The first thing to be done, Sir, is to settle on what principles the question is to be argued. Are we free to legislate for the public good, or are we not? Is this a question of expediency, or is it a question of right?' These are good questions for leaders to face daily about all kinds of decisions and have some echoes in the rhetoric of war that we hear at the moment.

Growth and development in communications technologies present world governments and commerce alike with complex issues to unravel. In the UK the government is set to define and assert the new communications bill to be regulated by the even newer office of OfCom. Rupert Murdoch might well be the very fellow that many would associate with global leadership and it would be because of people like Murdoch that OfCom exists. The distinction between global leadership and global domination might, for others, be a tautological argument. Information today is relayed, transmitted and distributed across so many different media. Newspapers and magazines, TV channels -terrestrial, digital, cable, satellite- radio, the Internet and now mobile phones with the 3G services coming on stream. How should cross media ownership be managed, and by whom? The implications for global organisations in this diverse landscape are wide. Dan Corry, writing in the April 2003 issue of Prospect, warns that the regulatory frameworks for control that were the hallmarks of the privatisation of the water and gas industries, may not fit the needs of the communications sector. Is it useful to draft legislation where the emphasis is on economic efficiency and the promotion of competition? He asks the question, 'what does the consumer want?' Some industries, he argues, are naturally monopolistic and the communications industries might be one of them. To what end should a regulatory body act and serve? Should we be concerned enough to want to put boundaries and restrictions on natural monopolies and by implication the global leaders that emerge from them?

It is evident that the topic of global leadership is far reaching. It draws its inspiration and facility from so many areas of organisational and social life. At its core is our abilities as HR professionals to identify the commercial imperatives faced today (social, political, technological and economic), and from this information look carefully and dispassionately at the capabilities of our people to lead the organisation through a faster, more demanding and more complex world.

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