

Internationalising corporate leadership competencies through ‘behavioural diversity’

In this article, Stephen Martin explains how many of the competency frameworks used by multinational companies are inherently flawed. He argues that companies need to recognise that the most important issue is the output and not how it is achieved.

The “frequent flier” manager is a familiar part of today’s international business world. Within globalised, regionalised, functionalised and country-cluster structures, managers from one culture are directing businesses and people from other backgrounds. The latest corporate “leadership competencies model” is often the only behavioural navigational tool managers have at their disposal to tackle this difficult and complex challenge. But just like most international managers, most competency-based leadership models are embedded in a powerful set of mono-cultural assumptions that define the “one best way” of doing things. So what use can such models be as a leadership road map when the one road they describe may not even exist in the country that the manager has landed in?

The dilemma for international businesses is that they perceive that they need global leadership consistency if they are to achieve their strategic goals, while at the same time understanding they need to “act local” if they are to deliver effectively on the ground. Gender and racial diversity is a high priority – so long as both genders and different ethnic groups behave consistently with the corporate leadership model. “Our way or the highway” is the unstated principle of mono-cultural leadership behaviours – and HR functions are often the guilty party by acting as the corporate midwife to these models.

That is not to say, of course, that international companies are blind to the issue. In many leadership models, a “cultural sensitivity” competency will be present, requiring managers to “show and foster respect and appreciation for others regardless of their cultural back-

ground” or to “see differences in people as opportunities for learning and approaching things differently” – to paraphrase a major US telecom’s “executive leadership” competency model. But often the impact of these very behaviours on the other competencies in the model is ignored, or not even recognised. For example, “Initiative and action” will commonly be written from the perspective of a culture where the act of taking initiative without waiting for sanction is encouraged and rewarded. However, in many major (and, incidentally, economically successful) cultures, such behaviour will more likely be discouraged, or even punished.

And here is the crux of the issue. Typically, corporate leaders and their HR functions fail to focus on the intended output – for example, that initiative and action is taken. Instead, they prescribe the means by which initiative and action should happen, and inevitably end up describing as best practice the means by which they happen in their own home culture.

My colleagues and I at ITAP International have often seen models of 10 to 15 competencies where one of them may indeed be some variation on the cultural sensitivity theme, but where all the other competencies provide behavioural examples that are almost entirely insensitive to culture. Managers are presented with a choice to fail on one competency or fail on all the others – that is, the competencies that conform to the cultural preferences of the corporate authors and their executive sponsors. It is not too difficult to guess which way the ambitious corporate citizen will go.

1. Board membership in the top-50 US and European companies

	Total no. of board members	Male		Female		Nationals		Non-nationals	
		No.	%	No.	%	No.	%	No.	%
USA	824	697	84.6	127	15.4	784	95.1	40	4.9
Europe	835	776	92.9	59	7.1	630	75.4	205	24.6

Source: ITAP International research, spring 2005: Data from corporate websites focusing on Fortune 500 and Forbes lists of biggest companies by market capitalisation for US and European companies, respectively.

This phenomenon is all the more surprising, given the focus on “diversity” as defined by US-centric organisations, in their broadly sincere attempts to open management to women and ethnic minorities. While this agenda has to some degree been effective, and few would argue with the intent, it has – given its cultural origins – come down to a matter of numbers: how many women, how many Asians and so on. The application of mono-cultural competency models creates a barrier to the very “diversity” that such policies are intended to produce, in that they expect and require managers to conform to behavioural patterns that are typically individualistic, assume low regard for hierarchy, are risk-oriented and are usually task-focused (masculine) in nature. Depending on your own cultural preferences, you may see nothing wrong with this. But if you, the reader, happen to be representative of the estimated two-thirds of the world’s population that is more group-focused than individualist-centric, you will know what we mean.

BREAKING AWAY FROM MONO-CULTURALISM

So companies that profess to be serious about diversity – not least for legal reasons – had better take note. If their competency models limit the positive impact of diversity policies only to those women and ethnic minorities that are able and willing to conform to a mono-cultural definition of “best practice” behaviours, then they have a big problem. Of course, this is not just a problem for US companies. As Hofstede’s research has established (Hofstede, 1980; Hofstede, 2001), corporate cultures are invariably a derivative of the national cultures in which they are anchored.

A *Newsweek* cover article (2002) illustrates the phenomenon exactly. Entitled “Race in the boardroom”, with a focus on “why

European companies are failing on diversity”, the cover picture featured a black American executive in a US-mega-corporation boardroom. While American companies had delivered on gender and race diversity in the boardroom, *Newsweek* opined, European companies were dragging their feet and continued to have boardrooms that are dominated by middle-aged white males. True. But what the article failed to adequately recognise is that the white males that run many European companies frequently represent a national and cultural mix that American companies do not even aspire to. Sure, you will find “diversity” in terms of gender and race on US company boards, but they are likely to be all-American boards, rarely reflecting their own international operations, let alone their customer base. A complementary European perspective – that diversity is as much about culture as gender and skin colour – is somehow being missed.

Our own review of boardroom and senior management populations in the top-50 US and European companies makes this case (see tables 1 and 2). For example, while more than 15% of top US executives are female and 8% come from ethnic minorities, less than 5% are not US-American. In Europe, the situation is virtually reversed – only 7% female and just 2.5% are ethnic minorities – but nearly 25% of senior executives in the largest company boardrooms are from cultures other than the company’s home-culture.

The US and European perspectives can properly be described as the two sides of the same coin; either one in isolation is simply inadequate. With greater diversity in both senses, it may be that companies will be helped to recognise the validity and value of a range of different behaviours (behavioural diversity) in their descriptions and definitions of exemplar leadership, instead of just

those that conform to mono-cultural and usually masculine perspectives.

No less an authority than the *Wall Street Journal* supports this case. In its article of 31 October 2005, “Globalising the boardroom”, it reported a Spencer Stuart 2005 survey that highlighted that “only 35% of 149 large US businesses (in its survey) have at least one non-American director”. The journal went on to report that about 90% of Europe’s largest concerns “boast one or more directors from outside their home country, and of these (top 100 companies) just under 50% have at least one American on the board”. The journal highlighted that the long list of all-American boards includes massive concerns such as Hewlett-Packard (HP), the hi-tech giant which “derives nearly two-thirds of its US\$80 billion in annual sales from outside the US”. But while HP argues that it has “international knowledge” on its board via executives who have managed overseas operations, it is safe to argue that, most of the time, the majority will be working to home-culture defined models.

SUPPORT FROM RESEARCH FINDINGS

Our own experience with competency models from across a range of sectors and national origins, amplified by a review of other companies’ models, lead us to a number of broad conclusions:

- there is commonality in the headings that are used to identify the critical competencies for successful managers and leaders;
- the definitions and behavioural examples used to support these headings are often specific to the sectors and industries in which the companies operate; and
- the competency definitions and behavioural examples usually conform to the dominant national cultural profiles and preferences of their authoring nationalities.

While the first two may be no surprise, the key issue is that through their leadership competency models, companies tend to expect that “teamwork” or “results focus” are delivered behaviourally only in ways that are consistent with and successful in the organisation’s home-culture. There is little tolerance of what we have called “behavioural diversity” – variations in behaviour that may be far more productive across the range of cultures in which organisations operate.

Hofstede’s ground-breaking research for his book *Culture’s Consequences: international differences in work-related values* (Hofstede, 1980) was based on extensive research within IBM, at that time deemed to be one of the most powerful and pervasive of all corporate cultures. His findings, subsequently confirmed by others, make it pretty clear that people behave differently in different places – and will continue to do so even if they work for the same organisation. Yet most companies still seek to deny this simple truth. Multinationals really need management and leadership models that are liberating and value-adding, rather than constrictive and value-destructive.

The idea of identifying and specifying appropriate and effective behaviour is a product of a “low-context” culture – that is, one where social behavioural norms are made very explicit (Hall, 1976). What, then, can be done to meet this common organisational need for specificity and consistency, while ensuring that managers and executives are allowed the freedom to operate in ways that are appropriate to the local context.

One solution is, of course, to build fully “behaviourally diverse” models in the first place, by ensuring that the internal and external research process involved in creating the competencies encompasses a population sample that is broad enough to include those who demonstrate alternative behaviours and still deliver what the organisation needs. “Alternative” in this context means behaviours that are alternative to the prevailing behaviours of the organisation’s home culture. But that must be the subject of another article – here, we are dealing with the more common situation of working with competency models that are already in existence.

AUDITING COMPETENCIES FOR BIAS

The “repair” methodology involves undertaking a cross-cultural audit of the corporate competencies that utilise what is probably the most extensive and effectively researched and tested model around – the Hofstede model of national culture. This identifies four key dimensions of national culture: “Individualism”, “Power Distance”, “Uncertainty Avoidance” and “Masculinity-Femininity” (or “Achievement”). Since Hofstede’s *Culture’s consequences* was published in 1980, the idea that culture is a quantifiable, tangible and observable construct has been firmly established. The publication of the second edition in 2001

2. Ethnicity of boards in the top-50 US and European companies

	Total no. of board members	White		Black		Hispanic		Asian		Arab		Total minority	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
USA	824	758	92	37	4.5	15	2	13	1.5	0	0	65	8
Europe	835	814	97.5	3	0.5	7	0.8	9	1	2	0.2	21	2.5

Source: ITAP International research, spring 2005: Data from corporate websites focusing on Fortune 500 and Forbes lists of biggest companies by market capitalisation for US and European companies, respectively.

(popularly known as *Culture's consequences 2*) (Hofstede, 2001) revised and reviewed the conclusions of the earlier edition, primarily by testing the original data against the subsequent studies of many other researchers. Some of the broad conclusions of Hofstede's meticulous challenge to his own research are as follows:

- The four dimensions of culture that he originally established are as valid and as powerful as ever and continue to serve as a valid construct for identifying, understanding and distinguishing cultural preferences across societies. (In *Culture's Consequences 2*, Hofstede adds a fifth dimension – identified as “Long-Term Orientation” – based on data from China that were not available at the time of his original studies.)

- Despite the apparent homogenisation of cultures via advances in travel, communications and the media, the values and belief systems of cultures remain fundamentally intact, and behavioural norms and preferences continue to be driven by them rather than by widespread exposure to Indian food, French wine or American TV sitcoms.

- Notwithstanding the robustness of culturally anchored values and beliefs, it is undeniable and self-evident that cultures have changed to some extent over recent decades, in response to globalisation pressures. However, those pressures have had an impact on individual cultures in more or less the same way and to more or less the same degree. Consequently, cultures continue to be as relatively differentiated as they ever were.

Given this brief review of *Culture's consequences 2*, and acknowledging that not all cultural analysts subscribe to the Hofstede view, it is safe ground to argue that the Hofstede model continues to offer great value in any attempt to grasp and address the concept of national culture in relation to a practical field of human endeavour – such as work. From this basis, it is useful to test corporate competency

models and their behavioural recipes of sure-fire and universal success against the four (or five) dimensions of culture identified and defined by Hofstede. Through understanding the dimensions, and by assessing the cultural breadth (or more commonly, the lack of it) contained in their competency frameworks' behavioural examples, organisations can assess their frameworks in terms of a mono-cultural/multicultural/omni-cultural scale.

For example, using the “Power Distance” and “Individualism” (PDI) dimensions from the Hofstede model, the typical competency shown in table 3 illustrates behaviours that on the one hand conform to the individualist/low-PDI assumption of the new world order, and on the other represent a more group-oriented/high-PDI view – which, as signalled earlier, happens to be where roughly two-thirds of the world's population reside.

Those two sets of behaviours illustrate what may seem, at first, to be irreconcilably different approaches. However, given the range of contexts in which international executives may need to operate, and the range of individual preferences they will have to work with, it makes sense that they need a range of behavioural options to be effective on a multicultural basis.

INDIVIDUALISTIC OR COLLECTIVE?

If corporations that champion the primacy of the individual want to do good business with the two-thirds of the world's population that doesn't see things that way, it may be wise to recognise the validity of the group perspective. “What is best practice in one culture may be wholly offensive in another” (Martin, 2002). And if “wholly offensive” does not appeal to your cultural norm that demands

3. BEHAVIOURAL DIVERSITY: AN EXAMPLE

An illustration of how a typical international leadership competency of “drive and risk-taking” could be changed from its narrow mono-cultural focus to the more group-oriented approach found in most of the world, based on Hofstede’s “Power Distance” and “Individualism” (PDI) dimensions of culture.

Competency: Drive and risk-taking

Individualist/low PDI behaviours

Taking on the difficult issues even when that may personally challenge executive leaders.

Setting out a clear personal agenda with senior executives; stating clear personal objectives.

Presenting a business rationale when challenging a senior executive’s behaviour.

Driving issues regardless of peer doubt; not hesitating to prove others wrong.

Confidently using own analysis and judgment to drive decisions and action.

Group-focused/high PDI behaviours

Ensuring that the team and team leaders focus on the difficult issues facing the business.

Developing and positioning own objectives in support of team and organisational objectives.

Using the internal network to express team concerns through to a senior executive.

Recognising the need for peer support when taking risks; ensuring engagement.

Seeking and utilising peer advice on a developing issue; acting on their input.

Source: ITAP International.

measurable, quantifiable and dispassionate assessment, try “entirely counter-productive”.

Using Hofstede’s original four dimensions of culture, our review of leadership and management competency models on behalf of clients, and in the interests of research, has identified a marked tendency towards the “universalist” route. In other words, corporately-identified mono-cultural behavioural norms are commonly positioned as universal best practice globally. And while such an approach may satisfy the corporate centre’s need for convenience, it does not do much for global business performance.

So far, we have dealt with culture as an issue that has an impact at the level of the individual, and the business processes that focus on individuals. The reader may be thinking that this is an interesting debate – but at the level of the organisation and the bigger beasts of international finance, the driving logic of the market and the power of corporate knowledge and intellect, culture must surely be subsumed into the lower order of things. KPMG begs to differ. According to its research of the success and failure of major cross-border mergers and acquisitions (KPMG, 1999), only an embarrassing 17% added value. Some 30% were neutral – while 53% are measured as having destroyed corporate value. According to KPMG’s follow-up research a few years

later, many of these were unwound after a few years of significant failure. And while this author is not claiming that such failure is all down to culture, KPMG has identified six “keys to cross-border M&A success” – three “hard” and three “soft”. Of the three soft, one is “dealing with the issue of culture” – preferably early in the process rather than in the chaos after the deal is done.

HR NEEDS CULTURAL DIVERSITY, TOO

Meanwhile, if anyone in human resources is feeling safe on the basis of an assumption that HR processes will ensure that culture is neutralised, no less an authority than the *Financial Times* has scuppered that idea. The FT’s 1999 series on mastering global business included a summary of a powerful study comparing the responses of HR functions in the UK, Italy, France, Germany and Spain to a set of HR scenarios (Segalla, 1999). The analysis identified that, despite the common situation and information, HR functions responded in terms of their preferences, emphasis and behaviour in ways that were consistent with the key characteristics of their national cultures. Interestingly, as the author of the study pointed out, the HR responses were generally in alignment with the Hofstede model, and not with some notion of a universal best-practice model of HR management.

To be successful in terms of output rather than corporate convenience, HR processes may therefore need to be adapted and differentiated. While a process like the assessment centre (a powerful battery of assessment methods used in selection for key roles) may in itself be a universally useful and potentially valid concept, most companies make the critical error of designing-in cultural bias that ensures that those who are considered to perform well in the case studies, in the behavioural interviews, in the team exercises, are those who can demonstrate behaviour that is consistent with the cultural preferences of the assessors and the corporate leadership models they represent. Fair enough, you may think – the candidates will have to work in that environment. You may agree then with one such assessment centre process that reputedly proved to a major international firm that no-one in China was up to its standards. It certainly makes the selection process easier if you can write off one-third of the world's population – although it might not be so helpful if that same business wants to make something in China, or indeed sell something there.

Rather surprisingly, these messages have not got through even to some of the major consultancy firms – including those advising companies that are just entering the world of international business. One such consultancy – a major player for competency work in India – declares with pride that its competency models conform to the “best standards” of international diversity practice, and therefore recommends its own universally applicable model of management competencies because it is consistent with US standards and principles in diversity and established best practice in management behaviour. Others, such as our own consultancy practice, take a more differentiated – or should we say diverse – approach.

CROSS-CULTURAL COMPETENCIES

The tendency towards mono-culturalism is all the more ironic given the origins of the concept of competencies, described in David McClelland's ground-breaking article “Testing for competence rather than for ‘intelligence’” (McClelland, 1973). The article describes the key elements of McClelland's project for the US State Department, reviewing the selection process for Foreign Service officers that seemed only to produce rich white males from the Ivy League universities – but which seemed to bear no relation to producing success in the job. McClelland developed a methodology to capture and analyse the behaviour of those who were successful in the role, and then to

cluster them into common themes that he called “competencies”. Not only was this originating study in the realm of international work, he identified competencies that even more than 30 years later continue to be differentiators between those who are successful and those who are failures in meeting the complex challenges of cross-cultural work. Three of McClelland's original set are:

1. **Cross-cultural interpersonal sensitivity:** “The ability to hear what people from a foreign culture are really saying or meaning, and an ability to predict how they will react”;
2. **Positive expectations of others:** “A strong belief in the underlying dignity and worth of others different from oneself, and the ability to maintain this outlook under stress”;
3. **Speed in learning political networks:** “The ability to figure out very quickly who influences whom, and what each person's political interests are”.

Our own research, based on a series of competency studies focusing on international roles, validates McClelland's original three competencies – in addition to which we have identified several more that, as a work in progress, together constitute a cross-cultural competency model that differentiates the successful from the unsuccessful in the modern world of international, multi-cultural management. Our three further competencies are:

4. **Reconciling organisational expectations and national cultures:**
 - 4.1 Identifying organisational expectations that are inconsistent with national culture norms. Seeking and finding ways to meet organisational needs that are consistent with national culture.
 - 4.2 Seeking and finding effective ways to educate and influence organisational thinking with respect to the national cultural norms of its employees, partners and customers.
5. **Self-awareness, self-control, self-confidence:** Developing knowledge of one's own cultural profile and values, and awareness of one's behavioural norms and preferences. Confidently adapting and controlling one's own behaviour in pursuit of personal and organisational objectives.
6. **Creatively managing complexity and ambiguity:** Recognising the complex demands of international roles; embracing the uncertainty, challenge and ambiguity inherent in cross-cultural teams. Developing new personal strategies for achieving individual, team and organisational objectives as appropriate to the international environment.

We continue to develop these ideas and to populate the behavioural databank that supports them. We do not suggest that these six competencies represent a complete or even adequate list. But our work with international managers and organisations identifies these as being powerful, differentiating competencies for those who work on the international and corporate stage.

CONCLUSION

The point of all this is that managing internationally (cross-culturally) is more complex than managing domestically (mono-culturally) and requires a broader set of behavioural responses to be successful. Simply having a “cross-cultural sensitivity” competency in an otherwise mono-cultural set of competencies and behaviours does not do it – other than demonstrating insincerity, at worst, or simple lack of understanding, at best.

Much more extensive research into differentiating competencies at managerial and executive levels – featured in Lyle and Signe Spencer’s definitive book *Competence at work* (Spencer and Spencer, 1993) – established long ago that, at the more senior levels in organisations, executives are required to be effective in a wider range of competencies, and employ them in more complex combinations.

It is likely that the Spencers – as McClelland before them – would have expected that organisations will have recognised the need to identify broader, more encompassing sets of behavioural examples for the competency models that apply in the international arena. Instead, we see the advent and imposition of mono-cultural models that pay lip-service to “cultural sensitivity” and pay homage to corporate convenience. It is as if, at some point, corporate competency writers are required to switch off the thinking and creative parts of their brains and revert to the safe, unchallenging ground of “what works well here must work everywhere else”.

Yet many organisations dedicate serious resources and attention to developing their diversity policies and practice – indicating that the business case is made and that those organisations would prefer to be more diverse. If that is so, then developing genuinely

multicultural, diverse sets of behavioural indicators represents an enabler to corporate success on the international stage, not the threat or barrier that so many organisations and their compliant HR functions seem to perceive in it.

The challenge for international managers and the HR functions that support them is embedded in the fourth competency of our brief set of six shown above. This involves finding strategies that reconcile organisational expectations and meet organisational needs in ways that are effective in foreign cultures, and at the same time educating the organisation so that it learns from its experience and over time develops the ability to succeed through national cultural differences, rather than being in conflict with them. It’s a tough call – but whoever said that working outside the comfort zone was easy? Allowing the development of “behavioural diversity” in leadership competency models would be a good start.

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