

**Cross-Cultural Leadership in the Financial Industry**  
**– the impact of Globalization on Corporate Culture and**  
**Leadership Effectiveness in Multinational Banks**

**- Bachelor Thesis -**

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## List of Abbreviations

<b>CC</b>	Cross-Cultural Competence
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CLT</b>	Culturally Endorsed (Implicit) Leadership Theory
<b>COO</b>	Country of Origin
<b>CQ</b>	Cultural Intelligence
<b>CRO</b>	Chief Risk Officer
<b>CVF</b>	Competing Values Framework
<b>ELT</b>	Experiential Learning Theory
<b>EPG</b>	Ethnocentric, Polycentric, Geocentric
<b>EQ</b>	Emotional Intelligence
<b>GLC</b>	Global Leadership Competency
<b>GLOBE</b>	Global Leadership and Organizational Behavior Effectiveness
<b>HC</b>	High Context
<b>HRM</b>	Human Resource Management
<b>HSBC</b>	Hongkong & Shanghai Banking Corporation Holdings PLC
<b>IBM</b>	International Business Machines Corporation
<b>IDV</b>	Individualism versus Collectivism
<b>ILT</b>	Implicit Leadership Theory
<b>LC</b>	Low Context
<b>LTO</b>	Long-Term versus Short-Term Orientation
<b>M&amp;A</b>	Mergers and Acquisitions
<b>MAS</b>	Masculinity versus Femininity
<b>MNB</b>	Multinational Bank
<b>MNC</b>	Multinational Corporation
<b>PDI</b>	Power Distance Index
<b>PwC</b>	PricewaterhouseCoopers
<b>SWOT</b>	Strengths, Weaknesses, Opportunities, and Threats
<b>UAI</b>	Uncertainty Avoidance Index

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## Abstract

Due to the increasing importance of globalization and the concomitant rising pressure for multinational corporations, perhaps especially for multinational banks, to hold their ground against strong international competition, this thesis intends to examine the impact of cultural diversity on corporate culture and leadership effectiveness in globally operating organizations.

Its underlying core proposition states that – in order to reach *global* leadership effectiveness – it takes certain attributes that are positively correlated with emotional and *cultural intelligence* and that comprise character traits as well as acquired behavior or styles. Only such a *culturally intelligent* leader will be truly capable of performing the balancing act between the various cultural codes, making the most effective use of advantages generated by cultural diversity while at the same time minimizing efficiency gaps resulting from the same.

This challenge faced by contemporary leadership is discussed throughout the course of this paper. A comprehensive literature review shows that differences between cultures lead, at least in the first instance, to difficulties in communication and collaboration. However, it is likewise pointed out that cultural diversity may eventually generate competitive advantages, provided that a profound understanding of the divergent cultural influences exerted on behavior and practice is gained. Research studies on differences in national cultures and their associated influences on work-related practices are presented as they proffer a useful framework to study and understand cultural peculiarities. Furthermore, the phenomenon of *corporate culture* is elucidated whereby it is reasoned that even though an organization`s culture needs to exhibit one predominant culture of origin to afford a stable reference frame, it has to include multicultural facets as well, if the business venture strives towards long-term success in global relations. A discussion of cross-cultural training programs depicts that those can offer valuable support during the process of promoting cultural awareness and expertise through the experience of intercultural real-world encounters – upon condition that they incorporate adequate assessment and practice methods to obtain a *global mindset* and related competencies.

The practice-based analysis within the financial industry yields interview results that confirm the aforementioned thesis by underscoring the importance of attaining knowledge about various cultural backgrounds as well as competencies that contribute towards cultural intelligence to ensure global leadership effectiveness. At the same time, however, they illustrate the existing and future need for the provision and adoption of instruments to successfully bridge efficiency gaps emerging from distances in culturally contingent value and belief systems that affect business processes.

Both findings of theory and practice convey the overarching purpose of this thesis to shine a light upon the concept of leadership against the background of globalization, accompanied by workplace multiculturalism. As a consequence thereof, in the specific context of growing internationalization, effective leadership may be regarded as *cultural brokerage*.

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Keywords:

*corporate culture • country of origin (COO) • cultural dimensions • culturally endorsed implicit leadership theory (CLT) • cultural intelligence (CQ) • diversity • efficiency gaps • global leadership • multinational bank /- corporation (MNB/MNC)*

# 1 Introduction

"Organisations often appoint leaders for their IQ. Then, years later, sack them for their lack of EQ (Emotional Intelligence). Common Purpose argues that in the future they will promote for CQ - Cultural Intelligence." <sup>1</sup>

Today`s globalized business environment demands cultural awareness and competencies more than ever, requiring business leaders who possess high levels of so-called *cultural intelligence* (CQ) in addition to intellectual (IQ) as well as emotional intelligence (EQ). Megatrends, such as technology, rapid urbanization and demographic change, are disrupting the entrepreneurial landscape. Concomitant with the increasing relevance of the impacts of globalization on world economy, especially multinational corporations (MNCs) have to consider these consequential effects. Current and future trends will, among other things, redefine the scope and contents of leadership skills being pursued by global organizations.

However, research suggests that managing the "global leadership gap" has become a major concern for the MNC of the twenty-first century. For example, one of *PricewaterhouseCoopers`* main findings in their *Annual Global CEO Survey* in 2014 implied that the availability of skills sought by global businesses was a serious concern of 63 % of business executives around the world.<sup>2</sup> This corresponds to an increase of 5 % on the previous year when 58 % of CEOs said that skills shortages were inhibiting their prospects for growth.<sup>3</sup> The shifting supply of high quality talent – while demand is still increasing – represents one of the greatest challenges that HR departments of MNCs are facing. This year`s survey showed that 81 % of CEOs are looking for a much broader range of skills,<sup>4</sup> while at the same time – particularly in the financial services sector – they are more concerned than ever about the limited availability of key skills.<sup>5</sup>

These developments, exemplified by *PwC`*s surveys referred to above, underscore the necessity of creating *practical* guidelines that support MNCs in finding and *cultivating* culturally intelligent leaders.

Reviewing relevant literature and research, one finds that much has already been explored about cultural differences and their impact on business operations. With the

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<sup>1</sup> See Middleton (2014).

<sup>2</sup> See PwC (2014). *PwC 17th Annual Global CEO Survey: Transforming talent strategy*, p. 2.

<sup>3</sup> See PwC (2013). *Skills Gap Is Hindering Growth for Businesses – PwC Report*.

<sup>4</sup> See PwC (2015). *PwC 18th Annual Global CEO Survey*, p. 30.

<sup>5</sup> See PwC (2015). *A new take on talent*.

famous *GLOBE* study leading the way (inter alia based upon Hofstede`s work), meaningful insights regarding specific dimensions, on which cultural clusters differ due to their country-specific characteristics, have been generated.<sup>6</sup> While these country clusters offer a convenient overview over differences as well as similarities between cultural groups, and allow to some extent for generalizations about culture and desired leadership behaviors, what they do lack is a concrete description of the way culture influences the process of leadership and beyond that a clear "roadmap" containing directions and recommendations about how one needs to adapt their own leadership style to fit the requirements of the situational context. On the other hand, one can find plenty of books and articles about cross-cultural training methods and programs.

The proposition of this present paper is to *combine* theoretical and empirical findings about cultural characteristics *with* practical advice for the individual. By cultural characteristics especially those that result from different nationalities are meant (cf. Hofstede`s work and the results of project GLOBE to which the theoretical analysis of this thesis will primarily refer to). The actual practice orientation targets the attainment of intercultural competences in order to be able to adapt to the circumstances at hand and to manage a situation most effectively when encountering the challenges of the respective cultural surroundings. Background knowledge of cultural differences and similarities will be linked with the necessary cultural "tool box" containing the right instruments to apply the gained knowledge to practical contexts. Tools will be utilized to "dig out" misunderstandings in communication, to "mend" relationships weakened by prejudice, or to "fuse" single cultural facets to one symbiotic potpourri of elements reinforcing each other.

This thesis paper will focus on the financial industry in particular, by taking a closer look at multinational banks, or other financial institutions, and their embeddedness in the prevailing intercultural business context. Thus, the results of the interviews conducted with executives from the financial sector will represent an added value towards the perception of how cultural dimensions and leadership attributes are rated in a specific industry. In contrast, GLOBE`s quantitative study, for instance, comprises data from 951 organizations across three different industries.<sup>7</sup> Even though the financial services sector is included in the selected industries, the acquired results have been pooled with the data collected from the other two industries. Since the banking sector is therefore not solely considered within the scope of project GLOBE, the possibility exists that specific characteristics, that might not prevail or be essential

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<sup>6</sup> Cf. e.g. Northouse (2013), p. 387 ff.

<sup>7</sup> See House et al. (2004), pp. 19-20.

in other business branches, will appear more precisely when only managers with a financial background will be surveyed. Also note that the study undertaken by the GLOBE researchers produced questionnaire responses of *middle* managers, which might somewhat differ from those of top executives of multinational banks.

The aim of this thesis involves finding out to what degree cultural aspects (in terms of nationality, education, symbols, rituals, etc.), by which employees of the company as well as its given location are characterized, imprint *corporate culture*. By the end of the analysis a code of practice will be drafted to advise global leaders on how to best use their skills and personality traits in order to most optimally make use of synergies generated by cultural diversity in work practices, while simultaneously reducing problems arising from differences in culture.

Overall, this paper will concentrate mainly on the cultural composition on the level of a work group within the multinational organization. Difficulties and also synergetic effects that specifically arise in cross-cultural teams will be identified and analyzed. Above all, attention will be directed to the role of the leader within his/her team and his/her ability to contribute to the achievement of effectiveness as well as efficiency in organizational objectives. Subsequently, an attempt will be made to aggregate the influences of culture, that were identified on the level of the team, in order to deduce the impact of cultural variety on the organizational level as a whole, i.e. on *corporate culture* itself.

In the following, the contents of the individual chapters are briefly summarized: Chapter two introduces general definitions of the terms *culture* and *leadership* at first, followed by an outline of cultural differences and therewith connected potential risks and opportunities.

Chapter three presents three important studies that investigate leadership behavior in a global context, namely Hofstede`s study on cultural dimensions, the GLOBE research project, and the recently published reading called *Leadership 2030*, a research revealing six megatrends that are transforming global business.

Chapter four discusses the concept of corporate culture and how it is influenced by a multinational corporation`s home and host cultures, respectively.

Chapter five defines the ability of cultural intelligence and presents several training and assessment methods to develop global leaders, equipping them with the necessary intercultural competencies.

In chapter six the implications of the challenges faced by cross-cultural interaction are outlined along with proposed solution concepts for achieving the highest possible global leadership effectiveness.

Finally, chapter seven describes the theoretical, empirical, and normative analysis of leadership effectiveness in a multicultural working environment. Conducted by means of an interview questionnaire, the latter was designed in a way that intends to cast a light on work-related practices, attitudes, value systems and challenges as can be found in contemporary global business. The evaluation of the interview results, which reflect the viewpoints of internationally active financial executives, attempts to derive some crucial advice for global leadership practices, especially with reference to multinational organizations from the financial sector as those are represented by the interviewed target group.

While focusing on practices and values in multinational banks, when considered altogether, this thesis intends to contribute to the existing literature on cross-cultural leadership and at the same time to serve as an impulse for further research to be conducted relating to this highly current and recently much discussed subject.

## 2 Cross-Cultural Differences and their Implications for Global Leadership in a MNC

As we increasingly encounter the numerous effects of globalization in our business environment and elsewhere, awareness of differences across cultures and, moreover, adaptability to intercultural contexts, in order to optimally react to the specific demands of a situation, has become indispensable. This chapter intends to clarify the concepts of culture and leadership as well as their interrelationship by pointing out both positive and negative consequences the “clash of cultures” entails, especially when operating in multinational corporations in a leading position.

### 2.1 Culture and Leadership defined

Culture – “[...] The distinctive ideas, customs, social behaviour, products, or way of life of a particular nation, society, people, or period [...]”<sup>8</sup> – “The philosophy, practices, and attitudes of an institution, business, or other organization.”<sup>9</sup> – “[...] agreed ways of interpreting signs, symbols, artefacts and actions.”<sup>10</sup>

The term *culture* has already been most variously defined – yet it seems quite difficult to really grasp its explicit meaning (which may actually be impossible as it is, after all, a rather abstract concept that needs to be regarded in its respective context and specified accordingly). While the Dutch social psychologist and professor of organizational anthropology at Maastricht University Geert Hofstede, for instance, holds the view that the concept of culture is primarily influenced by its national component, including a nation’s mutual language or education system, Harry C. Triandis, professor of psychology at the University of Illinois, distinguishes between objective and subjective elements of culture. The objective parts include – similar to Hofstede’s definition – the language as well as social, political and economic structures, whereas the subjective elements comprise values, norms, attitudes, and beliefs.<sup>11</sup>

Nevertheless, the vast majority of definitions – whether from the angle of anthropology, sociology or psychology – refers to a certain set of characteristic variables that is shared among members of a specific collective group, differentiating it from another. For the purpose of this paper, when referred to culture, the latter will

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<sup>8</sup> See Oxford English Dictionary (2015).

<sup>9</sup> Ibid. Cf. definition of *corporate culture*.

<sup>10</sup> See Smith and Peterson (1988), p. 96.

<sup>11</sup> See Hofstede and Triandis cited in Jedrzejczyk (2007), pp. 12-13.

be mainly interpreted in the sense of “learned beliefs, values, rules, norms, symbols, and traditions that are common to a group of people.”<sup>12</sup> This notion can be applied to both the level of societies and organizations since it is still broadly defined. Additionally, a conception of what constitutes *corporate culture* will be developed in the course of this thesis – in concordance with its focus on those cultural aspects that play a significant role in the business context of globally operating financial institutions.

Concerning the definition of *leadership*, likewise to that one of culture, the term has been vastly described. However, there is no universal consensus regarding the notion of it. Nevertheless, what most definitions include is the process of influence the leader exerts on his/her followers. In his book *Leadership: Theory and Practice* Peter G. Northouse, professor of communication at Western Michigan University, presents various different leadership approaches and their applicability in practice. The author’s general definition reads as follows: “*Leadership* is a process whereby an individual influences a group of individuals to achieve a common goal.”<sup>13</sup>

Depending on the particular leadership style that is practiced, as a consequence of the situational and cultural context, respectively, as well as the leader’s character and values, the leader-follower relationship will consist of different attributes though. Generally speaking, one has to be aware that different nations/cultures may require different leadership styles and characteristics of a leader. That is why one should always critically examine the background against which leadership theories were derived or studies undertaken. Bearing this in mind, one will notice that the majority of literature on leadership originates from the USA. However, this nation is atypical in its strong emphasis on individualism compared to most other countries. Therefore it is questionable whether findings on leadership effectiveness by US-American scientists may be projected on other parts of the world. That is to say, one should be alert that the uniqueness due to the individualistic nature of the USA that is reflected in much of their leadership theory is not universally applicable but contingent on the American culture.<sup>14</sup>

As it has already been mentioned in the introductory part, this paper will more closely investigate the effectiveness of leadership on a group level in order to determine

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<sup>12</sup> See Northouse (2013), p. 384.

<sup>13</sup> See Northouse (2013), p. 5.

<sup>14</sup> Cf. e.g. Smith and Peterson (1988), p. 97.

specific leadership characteristics that are particularly demanded in cross-cultural work teams.

## **2.2 Difficulties arising from Cultural Distance**

As we come across cultural differences we might simultaneously encounter difficulties in handling these – whether due to unawareness, ignorance, incomprehension, or intolerance, respectively. Anyway, we will have to search for means to bridge the gap between differing views, behaviors and the like, if we aim at establishing a solid base for successful communication, negotiation, and cooperation in a cross-cultural environment.

### **2.2.1 Prejudices, Ethnocentrism, and other types of discrimination**

*"How you look at it is pretty much how you'll see it."*<sup>15</sup>

This section presents some concepts that impact both attitudes towards one`s own culture as well as towards the cultures of others. Their corresponding manifestation can thus influence leadership success, especially in the immediate vicinity of culturally diverse work teams.

To begin with, prejudices present a very common concept and comprise judgments that are based upon previous experiences or opinions. A *prejudice* can be described as a "[...] largely fixed attitude, belief, or emotion held by an individual about another individual or group that is based on faulted or unsubstantiated data."<sup>16</sup> Prejudices are thus judgments "stained" by expectations that initially have nothing to do with the person itself, but with her group affiliation.<sup>17</sup> A main issue of holding prejudices is that those impede our understanding by causing a "tunnel vision" that constrains a more manifold view including various characteristics of others.<sup>18</sup>

A *stereotype*, very much like a prejudice, depicts a fixed image or perception of a specific type of individual, group, or object that is commonly shared by a certain group of people but which does not prove true in reality. Even though thinking in categories or making use of generalizations (i.e. assuming that all members of a particular group

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<sup>15</sup> See Rasheed Ogunlaru quoted by Goodreads (2015).

<sup>16</sup> See Northouse (2013), p. 385.

<sup>17</sup> See Nöllke (2009), p. 63.

<sup>18</sup> See Northouse (2013), p. 386.

behave, feel and act the same) can be useful to some extent, it has to be ensured that one will not solely rely thereon – otherwise this procedure will impose limitations on a veritable interpretation of the situation at hand. While it is possible and helpful to generalize about attributes associated with a particular culture, the application of those generalizations to an individual should be handled with great care. Hence, it is crucial to differentiate into the characteristics that make up part of someone`s cultural background and into those that represent unique features of that one`s own personality, when getting an idea of one another. This distinction is well illustrated by Hofstede`s pyramidal model displaying the three levels of uniqueness in human mental programming that will be discussed later on (cf. Chapter 3.1, Figure 3.1.1).<sup>19</sup>

*Ethnocentrism* refers to the “[...] tendency for individuals to place their own group (ethnic, racial, or cultural) at the center of their observations of others and the world. [...] Ethnocentrism is the perception that one`s own culture is better or more natural than the culture of others.”<sup>20</sup> The concept of ethnocentrism can be compared to *egocentrism*, inter alia, referring to the phase during child development before it is able to take the perspective of somebody else.<sup>21</sup> Egocentric individuals are self-centered, showing little or no regard for the beliefs, interests, or attitudes of others<sup>22</sup> - transferred to the cultural level, *ethnocentric* people are absorbed in their own culture, regarding and evaluating all other cultures only in relation to theirs. The main problem arising in this connection, similar to the one concerning prejudice, is that being ethnocentric inhibits us from fully understanding and tolerating others` points of views or practices, as we are biased by our own attitudes and beliefs to which we ascribe a far more superior value and importance than to those of other cultural groups.

A versed leader knows how to draw the thin line between dismantling ethnocentrism (or at least tolerating the divergent ethnocentrism of others to a certain degree) and, at the same time, remaining rooted in his own cultural values.<sup>23</sup>

Another phenomenon represents a tendency to measure different kinds of cultures or individuals by different standards (as opposed to the ethnocentric assessment where the foreign culture is evaluated by the standards of the own culture). This can result in *xenophilia*, an affection for the unknown, which describes the belief that the foreign culture is better than the own, hence inferior, culture. The counterpart, *xenophobia*,

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<sup>19</sup> See Gibson (2000), p. 21.

<sup>20</sup> See Northouse (2013), pp 384-385.

<sup>21</sup> See Faucheux (1976), p. 309.

<sup>22</sup> Cf. e.g. Dictionary.com (2015). *Egocentric*.

<sup>23</sup> See Northouse (2013), pp. 384-385.

correspondingly means a fear of the foreign or strange. A practical example of xenophilia can often be found in the early stages of expatriateship. The adjustment process generally begins with an initial euphoria about the foreign attributes of the host culture; typically followed by the experience of a culture shock when realizing that one's enthusiastic anticipations do not comply with reality (this paper will expand on the phases of culture shock and adaptation at a later juncture, cf. Chapter 5.2). Inversely, regarding the "repatriation", the former expatriate may experience a reverse culture shock due to the fact that he has idealized what he remembers of his home country (this idealization can also be ascribed to xenophilia since the original home country will have eventually turned into a quite foreign place by the end of the expatriateship). One has to be aware that neither ethnocentrism nor xenophilia (or xenophobia, for that matter) forms a sound foundation for intercultural encounters and, ultimately, cooperation.<sup>24</sup>

All these types of biased notions can be found in intercultural contexts and may pose a risk to successful communication and cooperation. However, oftentimes, those are not easily detectable but are prevailing rather subtly instead. Leaders thus need to learn how to become aware of those phenomena, not only from their cultural stance but also from other cultures' standpoints, and try to avoid or abolish them as far as possible or reasonable.

### **2.2.2 Misunderstandings in Communication**

Both language barriers and culturally related misunderstandings in communication can lead to problems aggravating successful collaboration. This subchapter discusses indicators in both verbal and non-verbal communication that are culture specific. That is why it is important to distinguish their respective meaning which depends on the cultural background and context of the communicator when talking to people from other cultures.

The following domains of *non-verbal* communication may differ between cultures:

Body movement, position and facial expressions constitute what is generally referred to as *body language*. The same gestures may, however, mean different things to different cultures. A specific example is the thumb pointing upwards which – in many cultures – means that everything is fine, whereas in Australia or Nigeria this is considered a rude gesture. The way people dress may also be counted towards body

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<sup>24</sup> See Hofstede (2001), p. 424.

language. Even the dress code in business differentiates between cultures. For instance, a German wearing a dress shirt and regular trousers may appear inappropriately informal to a British business partner being dressed in a complete suit. Certainly, the dress code does not only differ among national cultures but also within organizations contingent upon their corporate culture.<sup>25</sup>

Another form of non-verbal communication is the *eye contact* occurring between dialog partners. Once again, it depends on a person`s culture how a certain length and intensity of eye contact is perceived. While looking directly at someone for a while can signal interest, it may as well be perceived as disconcerting and intrusive staring. Depending on the culture, straight eye contact can either imply honesty and interest or, quite contrarily, disrespect.<sup>26</sup>

The same has to be taken into account with regard to *touch* and *body distance*. The appropriateness of the way and frequency people touch each other varies hugely across cultures. Some cultures might even believe any touching at all to be inappropriate, as a matter of fact, considering it a form of harassment, particularly between a male and a female employee. The practice and frequency of shaking hands varies too. The British, for instance, feel slightly confused by their German business partners who, they believe, shake hands excessively. Cultural greeting customs in a business context might even include kissing or hugging, as it is practiced especially in some countries in Latin America or the Middle East. The required body distance to their speaking partner also differs from culture to culture. For example, people from the UK tend to claim a larger "comfort zone" for themselves than do Latin Americans who are more inclined to move closer to one another.<sup>27</sup>

Moreover, when listening to *intonation*, *speed* of speech and *tone* and pitch of voice – all of which can be subsumed under the term *paralanguage* – the speaker`s cultural origin also plays a great role in determining the mood or tonality of a conversation. A usual discussion might sound like a heated argument to a non-native, especially if the latter does not understand the language.<sup>28</sup>

Shifting attention to *verbal* communication, what is noticeable is that a person`s *communication style* may also vary across cultures. Anthropologist Edward T. Hall, consultant to business and government and lecturer in America, Europe, and Japan, introduced his theory of *high* and *low context* culture in 1976.

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<sup>25</sup> See Gibson (2000), pp. 37-38.

<sup>26</sup> Ibid., p. 38.

<sup>27</sup> Ibid., p. 39.

<sup>28</sup> Ibid., p. 40.

The term *context* refers to the information surrounding an event and is inseparable from its meaning. The way of producing a meaning of the combination of context and meaning may vary from culture to culture depending on where they can be found on the scale ranging from low to high context cultures. *Contexting* describes the process of filling in background data – the lower the context, the higher the need for contexting. In his book *Beyond Culture* Hall defines the concepts of high versus low context as follows: "A high context (HC) communication or message is one in which most of the information is either in the physical context or internalised in the person, while very little is in the coded, explicit, transmitted part of the message. A low context (LC) communication is just the opposite; i.e., the mass of information is vested in the explicit code."<sup>29</sup>

High context cultures (including much of the Middle East, Asia, Africa, and South America) are characterized by close interpersonal relationships, not only in their private lives but also in the business community, and a wide-ranging information network. That is why they usually do not require comprehensive background information for their transactions since they know their communication partners very well. On the contrary, since low context cultures (including North America and much of Western Europe) tend to separate personal from work relationships and from other daily affairs, they need in-depth information for every interaction.<sup>30</sup>

For HC cultures building trust displays a vital first step in any business relation. According to Hall, these cultures can be regarded as being relational, contemplative, intuitive and collectivist. They prefer group harmony and consensus over individual achievement. Words are not considered as important as contextual statements, including the speaker's tone of voice, facial expression, gestures, posture (cf. the previous section treating *non-verbal* communication), and even more abstract aspects like status or family background, why this form of communication tends to be more indirect. LC cultures, on the other hand, prefer to depend on legal contracts rather than on informal agreements. They are prone to be quite logical, direct, individualistic, action-oriented and fact-based. Communicators are expected to be straightforward, concise, and efficient in their message by using precise words that are to be taken literally.<sup>31</sup>

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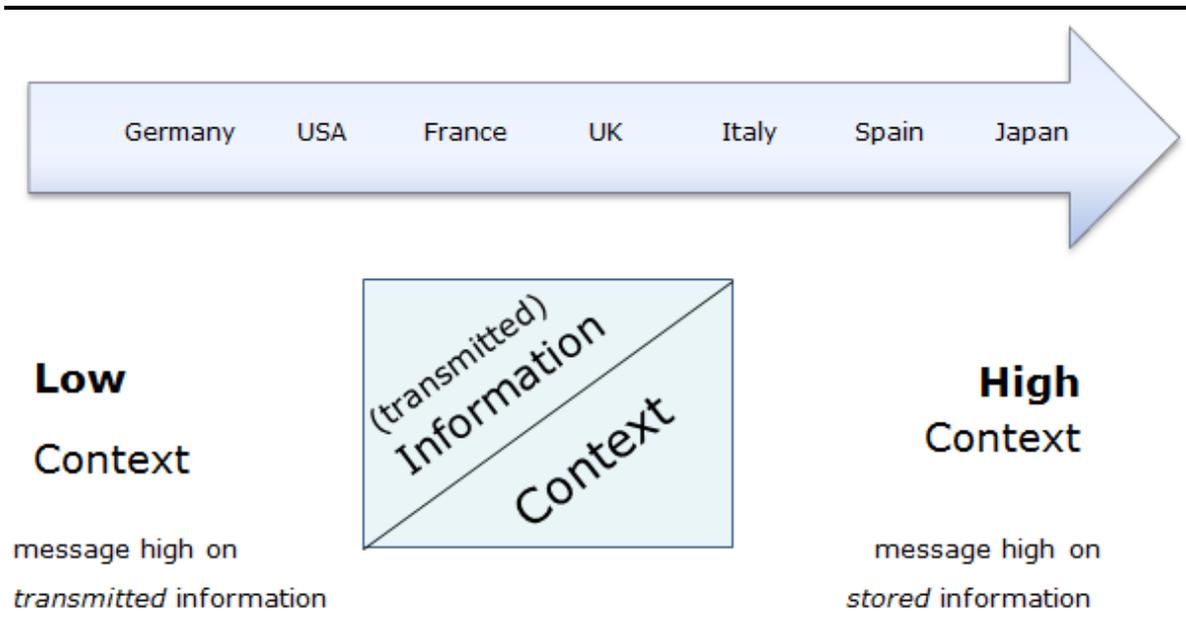
<sup>29</sup> See Hall (1976), p. 91.

<sup>30</sup> See Hall and Hall (1990), pp. 6-7.

<sup>31</sup> See College of Marin.

Listed below is a graphic that displays some exemplary countries and their presumable positioning on the context scale as well as the respective amount of information or context needed (depending on the contextual level in question) in order to transport a certain (i.e. constant) meaning.

**Figure 2.2.2.1: High versus Low Context Cultures<sup>32</sup>**



Overall, it can be concluded that the emphasis of *high* context cultures is put on the relationship level. Building relationships is of utmost importance with the aim of really getting to know one`s business partner. *Low* context cultures, however, can be described as being rather task-centered, in which meaning is mainly expressed verbally in an explicit way.

Furthermore, what is notable is that a person belonging to a high context culture will start from the general regarding the content of her message and proceed to the specifics, while someone from a low context background will reversely begin with the specific and only then transition into the general.<sup>33</sup>

Therefore, when communicating with others, it is critical to be aware on which side of the context scale they tendentially fall on with their country`s culture. Once the general level of context of one`s dialog partner has been conceived, one will additionally be able to notice potential shifts in the level of context *within* each culture`s category, which represents a relevant communication signal. If, for instance, the shift is up the scale this could indicate a "warming" of the relationship. Otherwise,

<sup>32</sup> Own illustration adapted from Hall (1976), p. 102.

<sup>33</sup> See Gibson (2000), pp. 42-43.

a context lowering switch from a high-context, familiar form of address, to a lower context, more formal form of address, should be interpreted as a “cooling” of the relationship, suggesting discontentment with the relationship on the part of the message sender for whatever reason.<sup>34</sup>

Yet another distinction can be found in the degree of *directness* of speech that is accepted in a certain culture. Especially when it comes down to criticism, particular prudence is needed. For example, people in Asian countries are more inclined toward *conflict avoidance* than Westerners are, resultant from their emphasis on preserving harmony within their in-group. As a consequence thereof, protecting others from a loss of face takes priority over directly criticizing someone since this will often be viewed as an insult, especially when expressed in front of others.<sup>35</sup> But also in a one-to-one talk will direct criticism be perceived as an affront, even if solely intended as constructive feedback. Research that has been performed in various countries, including e.g. Thailand, where conflict avoidance and the concomitant indirectness in communication are prevalent among executives, proposes the following methods in order to “circumnavigate” the problem of direct confrontation: The criticism could be either indirectly sent through a colleague or friend, or it could be voiced publicly without revealing the actual receiver, or else it could be concealed in an indirect question.<sup>36</sup> Reversely, this way of communication or conduct would be considered wrong or sly in those countries or cultures that generally prefer open criticism and frank talk.

Since English is often used as business language in MNCs, communication problems do not only arise due to a lack of vocabulary or comprehension on the part of non-native speakers, but also – and perhaps more importantly – due to their way of *phrasing* their statements. A simple request or order could be translated in very many ways. However, certain phrases could sound impolite (although, once again, the intonation used contributes greatly to how the statement is perceived by others).<sup>37</sup> For example, a British colleague might be bothered about the direct wording of his German co-worker as he is used to elegantly paraphrasing instructions or remarks. For this reason non-native speakers should adopt expressions that belong to the vocabulary of proper Business English.

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<sup>34</sup> See Hall and Hall (1990), p. 7.

<sup>35</sup> See West, Tjosvold, and Smith (2008), p. 560.

<sup>36</sup> See Gibson (2000), pp. 43-44.

<sup>37</sup> See Gibson (2000), p.44.

Knowing your communication partner`s cultural background and carefully observing his behavior pattern will provide you with clues you can pick up to really get involved with your counterpart so that you will be ultimately tuned to the same "wavelength". What becomes apparent is that the *how* of communication is by far more important than the *what*.

### 2.2.3 Different Concepts of Time, Space, and Power

The experience of as well as attitudes towards course of time, occupancy of space, and distribution of power are also subject to the influential components of culture.

Considering different concepts of *time* one can primarily distinguish between *monochronic* and *polychronic* cultures. The term monochronic describes time as a *sequence*, whereas polychronic is used to refer to time as *synchronization*.<sup>38</sup>

People who apply a monochronic approach manage one task at a time, always concentrating on the job at hand, having carefully scheduled the time horizon in which it should get done. Thus, they emphasize timeliness and promptness. On the other side, people behaving in a polychronic manner, handle many things at once, are easily distracted from their work, and think about what will be achieved rather than when. Since they value interpersonal relationships over time and material entities, they might lose track of time. That is why they might turn up late for a meeting, or else they might continue a meeting for as long as anyone continues to contribute to the conversation.<sup>39</sup>

While the priority of monochronic cultures lies on the task itself, polychronic cultures place relationships first.<sup>40</sup> This underlines the tendency of monochronic cultures to be low on context and polychronic cultures to be high on context. For example, US-Americans could be described as strongly monochronic, while the Spanish display a much larger polychronic tendency, which is in line with their placement on the continuum of low and high context cultures (cf. Figure 2.2.2.1).

The factor time can be further divided into *linear*, *cyclical*, or *event-related* concepts of time.

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<sup>38</sup> Cf. Trompenaars` description of cultural attitudes toward time, e.g. in Trompenaars and Hampden-Turner (2012). *Riding the Waves of Culture: Understanding Diversity in Global Business*.

<sup>39</sup> See Straker (2006).

<sup>40</sup> For a more detailed description of "polychronic" versus "monochronic" time cf., e.g. Hall (1984) in *The Dance of Life: The Other Dimension of Time*, pp. 44- 58.

The linear concept treats time as a line that proceeds from past to future and can be broken up into segments. Emphasis is put on exact time measurement and planning. This concept is pursued in the USA, Germany and Switzerland, for instance.

The cyclical concept regards time as a natural cycle that can be compared to the routines of agriculture that repeat over and over.<sup>41</sup> For example most Asians have a cyclical view on life why they regard time as an unlimited resource, as opposed to Americans, who see it as a scarce commodity and find it "wasted" when it has passed without any decision being made or action performed.

The event-related or multi-active concept of time (that is for instance followed by Southern Europeans like Italians or Spaniards) gives priority to the relative importance of an event rather than its positioning on a schedule. Multi-active people prefer doing several things at a time. They do not care much about punctuality and generally find human transaction to be the best time investment, no matter how long it will take (note the parallels to polychronic cultures).

Using different concepts of time will lead to conflicts. Especially those countries using time the cyclical or event-related way will conflict with linear-oriented cultures (widely applicable to North America and Northern Europe) in social and business spheres. Concerning the business world, industrial organization necessarily requires planning and time calculation in order to perform and meet targets most efficiently. That is why a certain degree of synchronization of schedules is inevitable, although the underlying philosophies about the best approach to time may still remain fundamentally different due to cultural influences.<sup>42</sup>

The relative value that is placed on past, present and future also differs across cultures. While some countries underscore the past, others emphasize the present and yet others focus on the future (cf. cultural dimensions in Chapter 3.1 and 3.2: Hofstede`s index of *long-term orientation* as well as GLOBE`s dimension of *future orientation*). While in the USA the future is considered more important than the past, in Russia the relationship between past, present and future is perceived to be stronger and past and future are weighted equally.<sup>43</sup>

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<sup>41</sup> See Gibson (2000), pp. 46-47.

<sup>42</sup> See Lewis (2014). For a more detailed description of the time concepts, cf. his book *When Cultures Collide. Leading Across Cultures*. (2005, third edition).

<sup>43</sup> See Gibson (2000), pp. 48-50.

Likewise to the differences in personal space (cf. Chapter 2.2.2: body distance as part of non-verbal communication), the perception of space in terms of territoriality can vary as well. For instance, the way workplaces are arranged in an office space provides an indication for the use of space and value of privacy. Because many US-American offices have an "open door" policy, where the office door is only closed when a private meeting takes place, Americans might interpret a permanently closed door of a foreign colleague as a sign of unfriendliness or disinterest.<sup>44</sup> People that are more territorial display a higher concern for ownership and security associated therewith, marking out their personal areas. Cultures with lower territoriality show less ownership of space, willing to share territory and ownership with others as they are less concerned for boundaries and material ownership. Interestingly, people exhibiting high territorial behavior tend to be low context, while, reversely, those with low territoriality tend to belong to high context cultures.<sup>45</sup>

Lastly, different concepts of *power* will be introduced (cf. Chapter 3.1 and 3.2: Hofstede`s and GLOBE`s cultural dimension of *Power Distance*). Anticipating the features Hofstede has described that characterize the respective degree of power distance, in *large* power distance cultures inequality in power distribution is expected and moreover accepted or even desired. Those cultures exhibit a rather centralized organizational structure in which superiors are privileged and evince an autocratic leadership style. The range in the compensation scheme is large. Examples of large power distance cultures include, but are not limited to, Arab countries, Mexico, India, and Malaysia, with the latter ranking among the highest in terms of Hofstede`s *power distance index (PDI)* score. As opposed to this, in *small* power distance cultures people aim to minimize inequality. Those are characterized by flat hierarchies, i.e. decentralized organizational structures. Superiors display a democratic and participative leadership style and subordinates expect to be consulted. Privileges due to status are disapproved of and the range in compensation is thus lesser. Examples of small power distance cultures include Norway, Ireland, Denmark, and Austria, with the latter ranking among the lowest in terms of PDI score values.<sup>46</sup>

Research has discovered divergent attitudes towards hierarchy and power distribution. While there are some cultures that highly value the respect for hierarchical lines and place great importance on following the official channel, others sometimes find it necessary to bypass hierarchy to create efficient work relationships. Namely, for

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<sup>44</sup> See Gibson (2000), pp. 50-51.

<sup>45</sup> See Straker (2006).

<sup>46</sup> See Gibson (2000), p. 54.

countries such as Sweden or Great Britain the most important matter is to get the job done, which is why they prefer skipping positions in the chain of command if this speeds up or facilitates decision making - whereas other countries (with Italy leading the way, followed by Germany) disagree with this statement.<sup>47</sup>

In conclusion, it becomes visible that all these kinds of differences that prevail across cultures – be it different viewpoints, prejudiced assumptions, different manners and style of communication, or different attitudes towards factors such as time and space – can pose a risk to smooth interaction. Hence it is critical to become aware of those differences in the first instance. Only then can potential misunderstandings be anticipated and ironed out at the earliest feasible stage.

### **2.3 Potential Synergies resulting from Cultural Diversity**

*"Diversity is the art of thinking independently together."*<sup>48</sup>

After having discussed all the problems that arise when people from different cultural backgrounds interact and beyond that intend to collaborate, be it within a work team or when doing business with other companies, the impression may be received that differences in culture bring along more complications than benefits. However, this does not have to prove true – actually quite the opposite might be the case, meaning that intercultural business activities might generate more advantages than they forfeit. This very subchapter intends to shine a light on the other side of the coin.

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*"We want people in the company that have differing ideas, differing experiences, differing opinions, because we need to solve our customers' problems. The only way you do that in a world-class way is to bring a variety of people together and utilise their collective know-how. Diversity and inclusion will make us that much more competitive in the marketplace."* - Denise Ramos, Chief Executive Officer and President, ITT Corporation, US.<sup>49</sup>

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<sup>47</sup> Cf. Laurent (1983) cited in Gibson (2000), p. 52.

<sup>48</sup> Malcolm Stevenson Forbes, publisher of Forbes magazine, quoted e.g. in Mishra and Jhunjunwala (2013), p.1.

<sup>49</sup> See PwC (2015). *PwC 18th Annual Global CEO Survey*, p. 28.

"We need to have ever more people, from the most diverse backgrounds, as we do not know what area will produce the innovation that will make a difference for us. It can be products, it can be services, it can be forms of communicating with or understanding the customer. Therefore, the more diverse people we have in terms of expertise, age and nationality, the better." - Roberto Oliveira de Lima, CEO, Natura Cosméticos SA, Brazil.<sup>50</sup>

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According to PwC`s 18<sup>th</sup> Annual Global CEO Survey about 85% of the CEOs whose organizations pursue a diversity and inclusiveness strategy state that this has enhanced their business performance. About 56% say that, moreover, it has helped them compete in new industries or geographies.<sup>51</sup>

Generally, when talking about synergy effects that can be found in cultural diversity, *synergy* describes the interaction of several forces to an overall performance whereby the combined effect is expected to exceed the effect of the sum of the individual performances. Synergy may be impeded by conformity, by tensions in relationships between group members, and by too great a number of group members.<sup>52</sup>

Considering the level of a work team, a diverse team composition is associated with more enhanced creativity, ingenuity, and resourceful productivity that proffer a broader variety of solutions to a given problem.<sup>53</sup> Exactly those different perspectives may represent a genuine competitive advantage in the business environment. After all, business operations increasingly span the entire world economy. Hence, in order to serve the diverse demands of equally diverse customers, a superior and more versatile range of products and services has to be produced. And how could this better be achieved if not by employing a diverse workforce? Many internationally operating businesses already seem to have recognized diversity as an asset, in which it is worthwhile investing, by integrating a diversity strategy in their talent management and recruitment plan.

Another interesting view point could be that the continuously growing use of social media facilitates the collaboration between different cultures. Thus, a virtual network of connections that affiliates countries from all over the globe could play a big part in most effectively and efficiently achieving business purpose and objectives.

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<sup>50</sup> See PwC (2015). *PwC 18th Annual Global CEO Survey*, p. 32.

<sup>51</sup> *Ibid.*, p. 28.

<sup>52</sup> See Gabler Wirtschaftslexikon, Springer Gabler Verlag. *Synergie*.

<sup>53</sup> See Plowman (2015).

Marcia Conner, author and advisor of global leaders, phrases the opportunities that the digital age entails in her book *The New Social Learning: A Guide to Transforming Organizations Through Social Media* as follows: "By bringing together people who share interests, no matter their location or time zone, social media has the potential to transform the workplace into an environment where learning is as natural as it is powerful."<sup>54</sup>

Nevertheless, one should still bear in mind that what can present an enhancer might as well turn into an impediment if not approached proficiently. As for the case of virtual work places, downsides could be induced by the lack of face-to-face communication (including non-verbal cues), lack of trust, or loss of team spirit, just to name a few.<sup>55</sup>

In conclusion, the challenge definitely lies in being able to generate synergetic effects from cultural diversity while at the same time minimizing possible undesirable side effects that might arise with it.

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<sup>54</sup> See Bingham and Conner (2010).

<sup>55</sup> See Köppel (2007), pp. 26 ff., for a detailed description of virtual work teams and their implications.

### 3 Studies of Organizational Leadership in Cultural Contexts

Plenty of research and literature, respectively, already exists on the topic of leadership – also treated against the backdrop of culture. The following three subchapters will each present a research study that has significantly contributed towards the assessment of the importance of leadership and the challenges and prospects it faces, especially due to cultural influential variables.

#### 3.1 Hofstede`s Cultural Dimensions

Certainly one of the most famous studies on how distinct work-related values are shaped by culture was conducted by Professor Geert Hofstede. Employing a case study approach, his analysis contained a huge database of value scores on his predetermined dimensions that had been collected from employees of the US-American IT- and consulting firm *IBM* between 1967 and 1973, eventually covering over 70 countries. Later studies were undertaken to validate the results he had generated from the original *IBM* study.<sup>56</sup>

Hofstede`s dimensional model of culture depicts the dominant influence of national societies on their respective cultural preferences and demonstrates the consequences that emerge when people from different cultural or national backgrounds are brought together in cross-cultural work groups.<sup>57</sup>

The four core dimensions of his model are *power distance*, *individualism versus collectivism*, *masculinity versus femininity*, and *uncertainty avoidance*.

The subsequent table summarizes the main characteristics of the dimensions.

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<sup>56</sup> See the hofstede centre (2015). Cf. also Hofstede (2001) or Hofstede, Hofstede, and Minkov (2010).

<sup>57</sup> For illustration purposes, a *Values Survey Module* composed by Hofstede can be found in: Hofstede (1986), pp. 283-286.

**Table 3.1.1: Hofstede`s Cultural Dimensions<sup>58</sup>**

<p><b>Power Distance Index (PDI)</b></p>	<p>the way a society handles inequalities among people, i.e. the degree to which the less powerful members of a society accept and expect that power is distributed unequally (societies exhibiting a large degree of <i>power distance</i> accept a hierarchical order without further justification, whereas societies with low Power Distance strive to equalize the distribution of power and demand justification for inequalities of power)</p>
<p><b>Individualism vs. Collectivism (IDV)</b></p>	<p><i>individualism</i> is defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families, whereas <i>collectivism</i>, contrarily, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty</p>
<p><b>Uncertainty Avoidance Index (UAI)</b></p>	<p>degree to which members of a society feel uncomfortable with uncertainty and ambiguity (countries exhibiting strong <i>uncertainty avoidance</i> maintain rigid codes of belief and behavior and are intolerant of unorthodox ideas, whereas weak UAI societies maintain a more relaxed attitude towards the unknown future in which practice counts more than principles)</p>
<p><b>Masculinity vs. Femininity (MAS)</b></p>	<p>the <i>masculinity</i> part represents a preference for achievement, heroism, assertiveness and</p>

<sup>58</sup> Own illustration adapted from the hofstede centre (2015). Note that the dimension *Indulgence versus Restraint (IND)* is neglected in this table as this one was added to Hofstede`s model as a sixth dimension only decades after his original research.

	material rewards for success (with society at large being more competitive), while its opposite, the <i>femininity</i> side, stands for a preference for cooperation, modesty, caring for the weak and quality of life (with society at large being more consensus-oriented); also related to as "tough versus tender" cultures in the business context
<b>Long-Term vs. Short-Term Orientation (LTO)</b>	the different ways societies prioritize the two existential goals of maintaining some links with society`s own past for one, while at the same time dealing with the challenges of the present and the future (societies scoring low on this dimension prefer to maintain time-honored traditions and norms while viewing societal change with suspicion ( <i>short term/normative</i> ) , whereas those with a high score, on the other hand, take a more pragmatic approach by encouraging thrift and efforts in modern education as a way to prepare for the future ( <i>long term / pragmatic</i> ))

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The fifth dimension of *long and short term orientation* was added subsequently, partially to counter the advancing criticism focused on the limitations of Hofstede`s model in terms of an outdated data set as well as the execution of merely a one company approach (namely IBM), and quite generally concerning the number of cultural dimensions that were regarded as being too few. It was not until 2010 that the sixth dimension, *indulgence versus restraint*, was subjoined.<sup>59</sup> Despite his controversial research approach, Hofstede`s work remains one of the most valuable studies in the research area of intercultural business communication and boasts wide application in international management and training programs.<sup>60</sup>

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<sup>59</sup> Cf. Hofstede, Hofstede, and Minkov (2010).

<sup>60</sup> See MacLachlan (2013).

In order to better understand the conceptual framework behind Hofstede`s model this section will describe his definitions of *values* and *culture* – the key constructs for his general conception of the so-called *Human Mental Programming*.

Hofstede defines a value as “a broad tendency to prefer certain states of affairs over others.”<sup>61</sup> It has to be noted that our *subjective* definition of rationality is determined by the early programming of our values (note that when considered objectively, those can appear quite irrational). A certain value can be a token of an individual but may also be shared among several individuals forming a collectivity. The latter case embodies the prerequisite of culture.<sup>62</sup>

For the purpose of his studies, Hofstede uses the term “culture” in the sense of “the collective programming of the mind which distinguishes the members of one human group from another.”<sup>63</sup> Since this definition of culture still leaves room for interpretation, he reserves the word “culture” for “societies” (meaning “nations”) and uses the terminology “subcultures” for other meanings instead. Culture includes systems of values and describes the “personality” of a human collectivity, so to speak.<sup>64</sup>

Exactly from those values and cultures, respectively, stems the construct of the *mental programs*, which Hofstede avails in his literature. A mental program, or analogously the *software of the mind*<sup>65</sup>, describes patterns of thinking, feeling, and potential acting that every individual carries within and which have been acquired throughout his or her lifetime; much thereof in early childhood. The sources of our “programming” originate from the social environments in which we grew up and accumulated experience. This explains why mental programs, containing various beliefs and values, vary concomitant with the environments in which they were adopted.<sup>66</sup> Since mental programs are impalpable, we can only observe others` words, actions, or behavior and try to infer from our observations the mental program that lies beneath the surface (cf. also the *iceberg* model in Chapter 5.1). Being able to make those inferences presupposes that human behavior is to some extent predictable, indicating that those mental programs do in fact exist and, what is more, are relatively stable over time, allowing for social systems to be formed. Every individual`s programming of the mind is partly unique and partially shared with others, depending on the influences of the surroundings and genetic predispositions,

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<sup>61</sup> See Hofstede (1986), p.18.

<sup>62</sup> Ibid.

<sup>63</sup> See Hofstede (1986), p. 21.

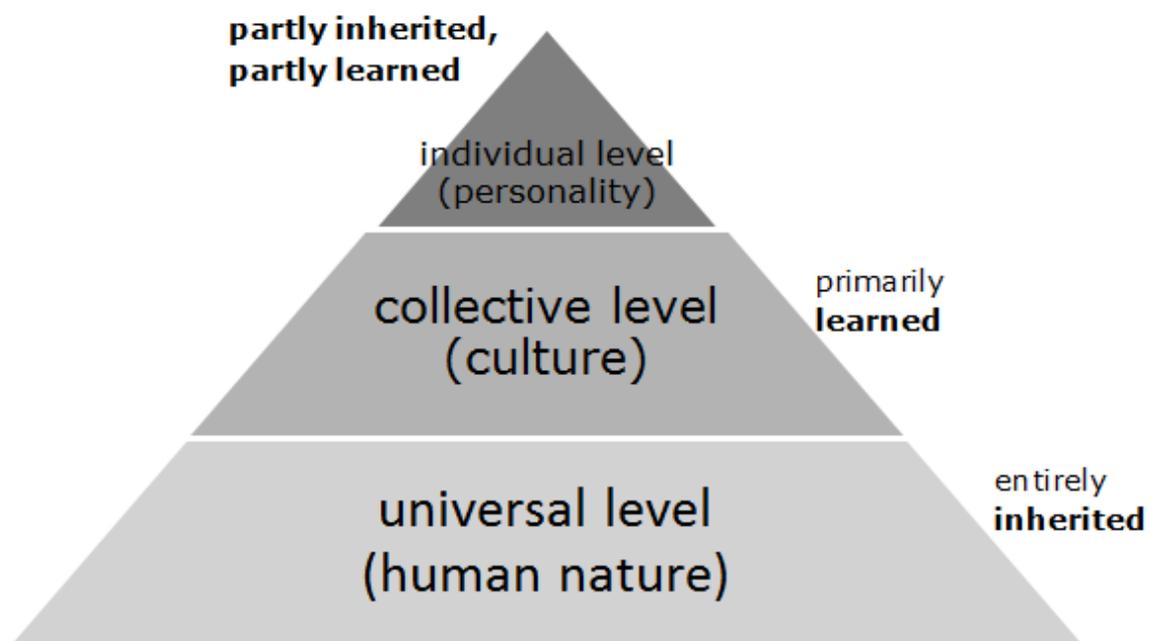
<sup>64</sup> Ibid.

<sup>65</sup> Cf. Hofstede (1993) / (1997).

<sup>66</sup> See Hofstede (1997), pp. 4-6.

respectively. In general, Hofstede distinguishes between three different levels of mental programming (cf. Figure 3.1.1 – note that the “lines” between those levels are not always clearly separable). The basis is provided by the least unique, but rather *universal* level of programming that is shared by almost all human beings. It constitutes the “operating system” that determines the physical and primary psychological functionality, enabling the human body and mind to “feel”, and is most likely completely inherited. Contrarily, the *collective* level is shared only with people belonging to a certain group. This second level comprises the whole sphere of subjective human culture.<sup>67</sup> It includes the either consciously or unconsciously learned values, norms, and traditions by means of communication of symbols for meaning.<sup>68</sup> Lastly, the *individual* level makes up the truly unique part of programming. This level of *personality* encompasses those character traits that belong to an individual’s personal set of mental programs which he or she does not share with anyone else. They can either be inherited with his or her distinctive genetic constellation or they can be “learned” - meaning that they are shaped by cultural influences (that is by the collective programming part) or modified by remarkable personal experiences.<sup>69</sup>

**Figure 3.1.1: Three Levels of Uniqueness in Mental Programming<sup>70</sup>**



<sup>67</sup> See Hofstede (1986), pp. 14-15.

<sup>68</sup> See West and Turner (2009), p. 82.

<sup>69</sup> See Hofstede (1997), p.6.

<sup>70</sup> Own illustration adapted from Hofstede (1986), p. 16 / (1993), p. 19 / (1997), p. 6.

## 3.2 The GLOBE Study

### 3.2.1 Setup and main findings of GLOBE`s Research Program

In 1991 Robert J. House, professor at the Wharton School of the University of Pennsylvania, conceptualized the so-called *Global Leadership and Organizational Behavior Effectiveness (GLOBE)* research program. He was supported in the execution of this project by an international team of 170 investigators from 62 societies altogether. The main purpose of the study was to ascertain the impact of culture on the notions of leadership and its effectiveness in different societal and organizational contexts.<sup>71</sup> The construct definitions of the terms *leadership* and *culture* were formulated in the following way in order to reflect project GLOBE`s research objectives: Culture embraces “shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives that are transmitted across generations”<sup>72</sup> and the concept of leadership is “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members.”<sup>73</sup>

The researchers measured culture in the sense of both *practices* and *values*, with practices meaning “acts or `the way things are done in this culture [...]’”,<sup>74</sup> and values being “artifacts because they are human made and [...] judgments about `the way things should be done.’”<sup>75</sup>

They designed a theoretical model in which *social culture* and *organizational practices* displayed the independent variables, whereas *leader acceptance* and *effectiveness*, respectively, formed the dependent variables.<sup>76</sup> In order to operationalize the independent variables they had to define specific attributes – referred to as *cultural dimensions* when quantified – to be able to measure leadership effectiveness across cultures.<sup>77</sup> By building on prior findings of Hofstede, Schwartz, Inglehart, Triandis, and others, GLOBE empirically identified nine core cultural dimensions.<sup>78</sup> These dimensions, that enabled them to capture differences as well as similarities among

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<sup>71</sup> See House et al. (2004), p. xv.

<sup>72</sup> Ibid., p. 15.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid., p. xv.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid., p. xvi.

<sup>77</sup> Ibid., p. 11.

<sup>78</sup> Ibid., pp. xv, 13.

cultural societies, are listed in the table below that includes a short description of each of the dimensions:

**Table 3.2.1.1: Cultural Dimensions (GLOBE)<sup>79</sup>**

<b>1 Uncertainty Avoidance</b>	extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices
<b>2 Power Distance</b>	degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government
<b>3 Institutional Collectivism</b>	degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action
<b>4 In-Group Collectivism</b>	degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families
<b>5 Gender Egalitarianism</b>	degree to which an organization or society minimizes gender role differences while promoting gender equalities
<b>6 Assertiveness</b>	degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships
<b>7 Future Orientation</b>	degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying individual or collective gratification
<b>8 Performance Orientation</b>	degree to which an organization or society encourages and rewards group members for performance improvement and excellence
<b>9 Humane Orientation</b>	degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others

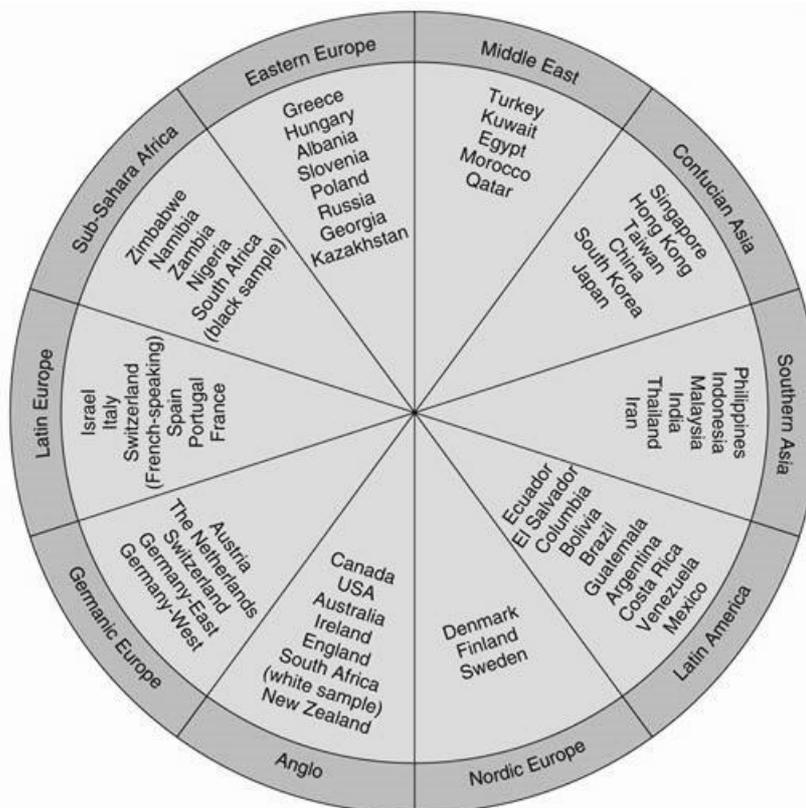
<sup>79</sup> Own illustration adapted from House et al. (2004), pp. 11-13.

The first six dimensions are based upon the cultural dimensions originated by Hofstede which presumably represent the most referenced work in this research domain.<sup>80</sup>

Conducting the research, quantitative data was extracted from responses of 17,000 managers from 951 organizations being represented in 62 cultures throughout the world.<sup>81</sup> The principal data sources used to gauge the GLOBE dimensions were questionnaire reports of middle managers, covering three selected industries, namely financial services, food processing, and telecommunications.<sup>82</sup> The 62 different countries, which the data was generated from, were further divided into ten distinct regional clusters that represented a valid and reliable method to distinguish the participating countries and thus to create a more convenient way of analysis between cultural groups. Decision criteria for the segmentation included common language, geography, religion, and history.<sup>83</sup>

The following figure shows to which unique cluster the individual countries participating in GLOBE were assigned:

**Figure 3.2.1.1: Country Clusters (GLOBE)<sup>84</sup>**



<sup>80</sup> Cf. *Culture`s Consequences* (1980) that includes his landmark study of IBM; cf. also Table 3.1.1.

<sup>81</sup> See House et al. (2004), p. 3.

<sup>82</sup> Ibid., pp. 19-20.

<sup>83</sup> See Northouse (2013), p. 390.

<sup>84</sup> Graphic retrieved from: Pennsylvania State University (2015).

One of project GLOBE`s main research question consisted in identifying leader characteristics or behaviors that are *universally endorsed* as contributing towards leadership effectiveness and also in finding out to what degree these are intertwined with cultural attributes. In other words, it aimed at describing the relationship between cultural differences and differences in approaches to leadership. GLOBE`s leadership dimensions were derived as dependent variables from culturally endorsed implicit leadership theory (which will be briefly explained later in this section), along with several other variables related to human nature. The researchers were able to identify 21 *universally desirable* leadership attributes that are considered facilitators of outstanding leadership but also 8 *universally undesirable* leadership attributes that are viewed as inhibitors of effective leadership. Moreover, 35 leader attributes or behaviors have turned out to represent contributors in some but impediments in other cultures.<sup>85</sup> Latter characteristics are therefore called *culturally contingent* leadership behaviors. Six major global leadership dimensions were eventually determined which were then employed to assess the relative importance various cultural clusters ascribe to different leadership behaviors, by deducing so-called *leadership profiles* for each of the culture clusters.<sup>86</sup> The next table contains the six global leader behaviors together with a brief explanation for each one:

**Table 3.2.1.2: Global Leadership Behaviors (GLOBE)<sup>87</sup>**

<p><b>1 Charismatic/Value-Based Leadership</b></p>	<p>ability to inspire, to motivate, and to expect high performance from others based on strongly held core values (includes being visionary, inspirational, self-sacrificing, trustworthy, decisive, and performance oriented)</p>
<p><b>2 Team-Oriented Leadership</b></p>	<p>emphasis on team building and a common purpose among team members (includes being collaborative, integrative, diplomatic, non-malevolent, and administratively competent)</p>
<p><b>3 Participative Leadership</b></p>	<p>degree to which leaders involve others in making and implementing decisions (includes being participative and non-autocratic)</p>

<sup>85</sup> See House et al. (2004), p. 14.

<sup>86</sup> See Northouse (2013), pp. 395-403.

<sup>87</sup> Own illustration adapted from Northouse (2013), pp. 395-396.

<b>4 Humane-Oriented Leadership</b>	emphasis on support, consideration, compassion, and generosity (includes modesty and sensitivity to other people)
<b>5 Autonomous Leadership</b>	independent and individualistic leadership (includes being autonomous and unique)
<b>6 Self-Protective Leadership</b>	behaviors ensuring the safety and security of the leader and the group (includes being self-centered, status conscious, conflict inducing, face saving, and procedural)

Across cultures major differences in the conceptualization of leadership may be detected. Inferring from that, leadership can be regarded a *culturally contingent* concept, which means that the importance and value of a leader, including his/her status and influence, is considered variously across cultures. Depending on the cultural driving forces of a country in which leaders operate, the concept of leadership is either worshipped and perceived as indispensable both organizationally and politically (e.g. applicable to American, French, or German societies), while in other regions the role of leaders is regarded somewhat skeptically for fear of them abusing their power (e.g. people of the Netherlands or Switzerland).<sup>88</sup> Regarding the notion of leadership practices, what all cultures have in common is the view that a leader's team orientation and his/her communication of a vision, values, and confidence in his/her followers are highly effective behaviors.<sup>89</sup>

The actual rankings of the 62 countries that participated in GLOBE (including country- or cluster-specific scores for all cultural and global leadership dimensions) are displayed in *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies* by House et al. (cf. part 4 *Empirical Findings*, chapters 12-19).<sup>90</sup>

Finally, the theoretical and conceptual framework that lies behind the GLOBE research program shall be explained in somewhat more detail. According to *Implicit Leadership Theory (ILT)* leadership is "in the eye of the beholder"<sup>91</sup>.

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<sup>88</sup> See House et al. (2004), p. 5.

<sup>89</sup> Ibid., p.7.

<sup>90</sup> Ibid., pp. 239-653.

<sup>91</sup> See Northouse (2013), p. 395.

Every individual holds an implicit leadership theory, containing his or her implicit beliefs, convictions, and assumptions related to the judgment about what separates a leader from his/her followers, effective from ineffective, and moral from immoral leaders.<sup>92</sup> For the purpose of the GLOBE studies, ILT was extended to the so-called *culturally endorsed implicit leadership theory (CLT)* to add the aspects of culture to the analysis. Analogous to the conception of ILT, CLT reflects such belief systems that are shared among individuals belonging to a mutual cultural group. Considerable evidence could be provided that supports this theory. That is, statistically significant differences could be shown between beliefs about leadership among different cultural groups, while members of a group tended to agree in their beliefs.<sup>93</sup> As for GLOBE`s research procedure, this meant that they were able to aggregate individual ratings, such as questionnaire responses about leadership behavior and effectiveness, to the organizational as well as the societal level of analysis since individual responses reflected a "significant within-society agreement with respect to questions concerning the effectiveness of leader attributes and behavior".<sup>94,95</sup>

In addition to the reliance on ILT (or CLT, respectively), GLOBE`s research was also led by *structural contingency theory of organizational form and effectiveness*, *implicit motivation theory*, and *value-belief theory of culture*.<sup>96</sup>

The subsequent section outlines several strength and weaknesses of GLOBE`s endeavor:

Above all, one of GLOBE`s major strong points is given by the immense scope of its research undertaking as data was collected from 62 societies representing countries from all around the world. Moreover, a certain degree of generalizability of the results is made feasible because of its well-structured quantitative design, including standardized instruments to evaluate cultural and leadership dimensions. Additionally, valuable information about universally desirable as well as undesirable leadership attributes is proffered. Possible weak spots include the fact that no single theory is provided about how exactly cultural components influence the leadership process. Furthermore, the rather vague definitions of the terms of the cultural and leadership dimensions entail the hazard of misinterpretation or lack of comprehension of the findings. Beyond that does the measurement of the six global leadership behaviors by

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<sup>92</sup> See House et al. (2004), pp. 16-17.

<sup>93</sup> Ibid., p. 669.

<sup>94</sup> Ibid., p. 17.

<sup>95</sup> Ibid., pp. 16, 17, 669.

<sup>96</sup> Ibid., (2004), pp. 16-19. Note that this paper will not elaborate on the last mentioned theories. For explanations see, e.g.: McClelland (1985). *Human motivation*. [Implicit Motivation Theory] / Donaldson (2001). *The Contingency Theory of Organizations*. [Contingency Theory] / Hofstede (1980). *Culture's Consequences: International Differences in Work-Related Values*. [Value-Belief Theory].

a vast amount of subscales impair its measurements` precision and validity. Because GLOBE`s concept of leadership is primarily based on implicit leadership theory, the sole focus on how leadership is perceived by others omits other leadership approaches. Also, by identifying a list of universally endorsed desirable and undesirable leadership behaviors one runs the risk of isolating them from the respective situational context, whereas one needs to be aware that an attribute displayed as being universally desirable might prove to be ineffective or even harmful in another specific situation.<sup>97</sup> Aside from that one has to be cautious with generalizations about specifics of national cultures since, strictly regarded, only cultures of *middle managers* were studied in those 62 cultures (nevertheless, according to the researchers of GLOBE, the core societal practice and value dimensions are "strongly and significantly correlated with unobtrusive measures that reflect the broader society"<sup>98</sup>).

The following subchapter will project the empirical findings of GLOBE onto real life cases in order to apply the acquired background knowledge about the impact of cultural diversity on societies` different points of view on leadership effectiveness and thus to ascertain the practicability of the research findings.

### **3.2.2 Cultural Lessons learned from Project GLOBE and Practical Applicability of GLOBE`s Research Findings**

Generally speaking, research on leadership and culture is widely applicable. The findings of project GLOBE can, among others, help leaders to find out how to adapt their style to be more effective in different cultural settings by knowing what leadership attributes a specific culture values the most. Leaders can communicate more accurately and empathetically across cultures when understanding what exactly constitutes cultural differences.<sup>99</sup>

To make the GLOBE study "come alive", Javidan and his co-authors (among whom Robert J. House as the principal investigator and founder of the GLOBE research program can also be found) hypothetically send a US-American executive in four different countries that each belong to a distinct culture cluster. Thus, they cover a

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<sup>97</sup> See Northouse (2013), pp. 404-406.

<sup>98</sup> See House et al. (2004), p. 20.

<sup>99</sup> See Northouse (2013), p. 407.

broad scope of cultures – namely Brazil (*Latin America* cluster), France (*Latin Europe* cluster), Egypt (*Middle East* cluster), and China (*Confucian Asia* cluster).<sup>100</sup>

From a leadership perspective the question arises whether the same leadership attributes that prove successful in the USA are also effective across other nations, or if some of them might be irrelevant, or worse, even counterproductive. The challenge which expatriate leaders face does not only consist in the great diversity across national cultures` values and beliefs but also in the disparity of organizational practices. Many of those practices are controversial; i.e. while they are believed to be effective in one country, they might be considered ineffective in another. Ergo, what works “here” is not guaranteed to work “over there”. For example, there are very different perceptions of the effectiveness of working independently versus together in a team.<sup>101</sup> These entail serious consequences for the composition of multicultural teams (cf. the dispersed distribution of GLOBE`s clusters with respect to the cultural dimensions classified according to their *AS IS* (i.e. cultural *practices*) scores that can be found in the appendix<sup>102</sup>).

As a consequence thereof, it is useful to distinguish between cultural *universals*<sup>103</sup> on the one hand and cultural *specifics*<sup>104</sup> on the other hand. The existence of both cultural universals and specifics is supported by empirical research, also regarding culture-specific influences on the leadership process (including their impact on leadership behavior, attributes, status, and influence).<sup>105</sup>

When comparing leadership styles and their effectiveness across countries it is important not only to point out the divergent views different national cultures display on aspects of leadership effectiveness but also to detect convergent views. After all, the latter can provide a sound basis to build on as similarities present comfort for both the leader and the team (as the colloquial saying goes: “similarity creates sympathy”). Those convergent views have been identified by GLOBE in the form of 22 *universally desirable* as well as eight *universally undesirable* leadership attributes. Universal facilitators of leadership effectiveness include being trustworthy, communicative, motivating, a team integrator, etc. In contrast, universal impediments to effective leadership include being dictatorial, non-cooperative, and asocial.

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<sup>100</sup> See Javidan et al. (2006), p. 68.

<sup>101</sup> See Javidan et al. (2006), p. 70.

<sup>102</sup> See Appendix, Table 1.

<sup>103</sup> *Cultural universals* may result from the process of cultural convergence (cf. *Convergence Theory* in Chapter 4.4).

<sup>104</sup> *Cultural specifics* are resultant from the remaining or maintained cultural *divergence*.

<sup>105</sup> See Javidan et al. (2006), p. 72.

However, it has to be considered that the way these leadership attributes are executed may still differ among countries, i.e. countries may denote different behaviors or procedures to the same quality.<sup>106</sup> For instance, someone coming from a cultural background in which strong emphasis is put on uncertainty avoidance, power distance, and collectivism rather than individualism might be motivated by a leader who underscores that person`s place in hierarchy and gives her clear instructions concerning her task field. Her motivation thus stems from predictability, tradition and reassurance. The leader`s style could be described as being directive and authoritative. Contrarily, the leader has to motivate someone else, whose culture scores rather low on the aforementioned dimensions but stresses e.g. performance orientation, individualism, and assertiveness, quite differently. That person will find her motivation and job satisfaction in new challenges, innovative and creative tasks, and excellent perspectives concerning career development opportunities. The corresponding leadership style could be described as pacesetting or transformational.

Besides focusing on universal leadership attributes it is, however, more than equally important to identify and understand culturally *contingent* leadership attributes. Those are to be handled with especial sensitivity as the same attribute that contributes to leadership effectiveness might prove useless, or what is more, even harmful in another cultural context.<sup>107</sup>

In order to illustrate the practical applicability of GLOBE`s research findings the following section will choose the example of Brazil to exercise the scenario of an expatriate leader facing the challenges of intercultural management. Brazil belongs to the *Latin America* cluster and is South America`s economically most important country. The following table lists the CLT leadership profiles associated with outstanding leadership in order of importance for the Latin American cluster:

**Table 3.2.2.1: CLT Leadership Dimensions (Latin America)<sup>108</sup>**

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<b>1. Charismatic/Value-Based</b>
<b>2. Team Oriented</b>
<b>3. Participative</b>
<b>4. Humane Oriented</b>
<b>5. Self-Protective</b>
<b>6. Autonomous</b>

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<sup>106</sup> Ibid. (2006), pp. 74-75.

<sup>107</sup> See Javidan et al. (2006), p. 75.

<sup>108</sup> Own illustration. Rank order derived from CLT cluster scores (cf. Table 2 in the Appendix).

Latin America's value scores on team oriented leadership show the highest rank among all country clusters, whereas its scores on autonomous leadership display the lowest rank among all clusters. Comparing the relative rank order to the one of the Anglo cluster, to which the USA belong, surprisingly there is no real difference to be found (i.e. only the rank order of self-protective and autonomous leadership is interchanged).<sup>109</sup> But for all that, when looking at their respective scores on GLOBE's cultural dimensions, the two clusters do significantly differ. This underscores the previous explanation that although preferred leadership attributes might be the same, the expectation of *how* they are enacted might hugely differ depending on the culture's notion shaped by its system of values and beliefs.

The table below shows those dimensions on which the Anglo and the Latin American cluster scored highest and lowest, respectively (cultural dimensions that are not listed received mid-scores):

**Table 3.2.2.2: Cultural Dimensions (Anglo versus Latin America)<sup>110</sup>**

AS IS scores	Anglo	Latin America
High	<b>Performance Orientation</b>	<b>In-Group Collectivism</b>
Low	<b>In-Group Collectivism</b>	<b>Performance Orientation</b> Future Orientation Institutional Collectivism Uncertainty Avoidance

The culture dimensions in bold indicate that those are exactly reversely scored for the clusters compared. This matter of fact will presumably induce difficulties in the interaction between those two cultures as they show extremely high cultural distance in issues relating to performance orientation and in-group collectivism.

Taking a closer look at Brazil, its high *in-group collectivism* might be a possible explanation for disfavoring leaders who exert rather individualistic behavior styles (cf. Table 3.2.2.1 where autonomous leadership receives the lowest rank). Accompanied by the strong in-group collectivism, leaders are expected to avoid conflict within the group for the sake of harmonization and group consensus. In contrast, the US-American standpoint could be described as "truth over harmony", seeking critical thinking and an open discussion in decision-making.

<sup>109</sup> Note that the *absolute* value scores of the specific CLT profiles may still vary between the two clusters.

<sup>110</sup> Own illustration. Rank of clusters taken from their classification on culture practices scores (cf. Table 1 in the Appendix).

Furthermore, Brazil`s relatively high *power distance*<sup>111</sup> indicates that a leader needs to be status or class conscious by treating people appropriately to their hierarchical position in society and within the organization. Latin Americans, with Brazilians leading the way, believe in authority and that people in superior positions should be treated with utmost respect and deference. Because of Brazil`s emphasis on formal relationships (compared to more informal relations in the USA), a US-American expatriate leader would be advised to be aware that Brazilian subordinates will rather respect the formal boundaries between them and their leader as well as their limited scope concerning decision-making. There will be no practice of an "open debate" as people would do in the US. The American leader should thus be cautious about directly seeking information from others regardless of their status for this could be perceived as a sign of disrespect by those in superior positions.<sup>112</sup>

From the information about the impact of the individual cultural dimensions thanks to project GLOBE one can derive certain precautions and recommendations for the expatriate leader. Due to Brazil`s high power distance and in-group collectivism it is critical for the leader to introduce and integrate himself from the very beginning on, making sure he does not appear as a loner behaving purely individualistic. He should start off by showing the due respect to those in power positions and building personal relationships to become part of the in-group as early as possible. For the process of strategic development the leader has to consider Brazil`s low scores on performance orientation and future orientation as well as its high score on power distance. He needs to be patient with his employees since they will not be as forthcoming with their input. It is on behalf of the leader to encourage his subordinates to contribute their own ideas, with himself making the final decision. Moreover, due to their very low institutional collectivism, Brazilian employees will not really be emotionally affected by the "bigger picture" of the organization enthusiastically sharing the company`s vision. That is why motivational incentives for goal attainment have to occur on the individual team level (i.e. the in-group). Also, due to the generally lesser rules orientation of the Latin American culture, the leader needs to communicate clearly which procedures and regulations he expects to be followed and explaining why. He will succeed best by approaching them on a relationship level, on the basis of a sense of belonging and a common purpose.<sup>113</sup>

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<sup>111</sup> With Brazil receiving an average score of 5.33 (out of 7) on an average range of 4.54 - 5.39 taking all clusters into account (cf. Table 1 and Table 4 in the Appendix).

<sup>112</sup> See Javidan et al. (2006), pp. 75-77.

<sup>113</sup> Ibid., pp. 77-78.

One of the biggest upsides of GLOBE`s findings is their context specificity instead of solely providing general advice. In addition to GLOBE`s country clusters that present crucial and very helpful tools to understand different cultures, Javidan and colleagues propose two steps that promote leaders in their cultural understanding and adaptability, regardless of the host country they are dispatched to. Firstly, they ought to share information about their own as well as their host country`s culture, showing both similarities and differences. Through similar values and desired leadership attributes trust and mutual understanding will be created. On this basis individual perceptions of certain leadership attributes should be clarified. Furthermore, by comparing cultural findings with their own perceptions, misunderstandings, such as false stereotypes, can be removed – thanks to GLOBE`s unique feature that the design and realization of the project ensures a reproduction of the true broader societal culture. In a second step, global leaders need to reflect on *how* to close the “efficiency gaps” aroused by cultural differences. This does not imply full adaptation to the host country. The leader does not necessarily have to adopt the common leadership approach prevailing in that country. It is more vital to communicate his way of doing to the local employees and to discuss with them how to most productively align it with their usual procedures. That is to say, adaptation should not be understood as a one-way journey on behalf of the leader but rather as a two-way process with both the leader *and* the local team members approaching each other by adjusting their managerial and team functions, respectively, to reach a level of mutual understanding and to establish a shared set of work-related values and beliefs.<sup>114</sup>

This necessity to combine approaches from both home and host culture to create a common ground to work from and thus make the intercultural collaboration succeed may best be highlighted when looking at an example of failure. This will be used as a means for reflecting on the causes of failure and on how it could have been prevented, had the cultural lessons learned from GLOBE been applied.

A real life example of how problems arise due to cultural differences that complicate successful cross-border transfer of knowledge is represented by the case of *TAI BANK* employing *NORDED*, a Nordic European business school, to train middle and upper-middle managers, teaching them about effective leadership practices and management of large-scale change. *TAI BANK*`s main incentive for participating in such a training program was the strong global competition they faced from multinational banks such as *HSBC* and *Citigroup*. Their aim was to gain high quality Western business advice that, at the same time, included an understanding of the

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<sup>114</sup> See Javidan et al. (2006), pp. 84-85.

South Asian culture in order to be effectively applicable within their cultural context. For both parties the program's success was of huge interest – TAI BANK approached NORDED because of its exceptional reputation and its historical Asian roots, while NORDED recognized great potential in this engagement concerning its strategic positioning on the South Asian market. After the program's initiation fundamental discrepancies between NORDED's and TAIBANK's philosophies and expectations soon became visible. Yet, many of the differences could have been anticipated, had the cultural differences been identified and analyzed beforehand. The GLOBE findings could have been a useful tool in doing so, closing an efficiency gap that would not need to exist. The major barriers to a successful program were the inadequacy of the "AS IS" work environment, impeding the application of the acquired knowledge from the NORDED program, as well as the failed communication between the two parties and the lack of consultation of NORDED's experts on behalf of TAI BANK's HR executives. Regarding the (AS IS) practices in TAI BANK's organizational culture, its hierarchical framework and the concomitant authoritative leadership style of the bank's senior executives were hindering the development of managers in lower positions who, after all, represented the actual target group of the training program. Complaints arose about the senior management having established a culture of top-down autocracy that invoked organizational inertia resistant to change. Consequently, the participating managers grew frustrated not being able to put the promoted leadership styles into practice. This problem was even amplified by the fact that TAI BANK's HR executives unexpectedly altered the program's curriculum without consulting with NORDED's program directors who, after all, were its original designers and instructors.<sup>115</sup> Stated briefly, the number one gap in cultural dimensions relevant for this knowledge transfer emerged from the large cultural distance concerning the dimension of power distance.<sup>116</sup> NORDED designed their program based on their belief that involvement of managers and employees in the organization's decision-making process led to decisions of higher quality and to a stronger organizational buy-in. From this they derived their training methods for the participants, intending to teach them how to become more effective empowering and transformational leaders. However, what they did not bear in mind was that their client's national and organizational culture of *high* power distance practices did by no means fit their curriculum's objectives which were by far more consistent with their Nordic European cultural practices of *low* power distance and high institutional collectivism.<sup>117</sup>

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<sup>115</sup> See Javidan et al. (2005), pp. 59-61.

<sup>116</sup> Note that in general the overall cultural distance between the Southern Asia and the Nordic Europe cluster is substantial, displaying a *mean* cultural distance (measured by the average between the two culture's rankings on all nine dimensions) of 4.4 for the AS IS practice scores and of even 6.0 for the SHOULD BE value scores.

<sup>117</sup> See Javidan et al. (2005), p.65.

Applying this failed knowledge transfer to the scenario of an expatriate leader in a MNC it becomes apparent that the more differences the cultures display, the more difficult it is for the host country to accept leadership styles that incorporate certain attributes in which the cultures significantly differ.

This case study has underscored once more the importance of taking into consideration the embeddedness of individual and organizational behavior in their respective cultural contexts throughout global interactions.

In their attempt to manage cross-cultural issues leaders should thus rely on the advice that can be extracted from the GLOBE findings. The definition of common goals ranks foremost. By creating a common basis of understanding, the parties make sure that denotations and criteria for success are clarified and agreed on. In a further step the cultural profile of each country involved should be mapped out using the information on country clusters` scores provided by GLOBE. This process will induce an awareness of both cultural differences and similarities. Cross-cultural similarities will offer a solid base to start from and help dealing with the differences. Much more so, reviewing the areas of similarity might identify potential leveraging effects. As to that, distinguishing between the "double nature" of the GLOBE dimensions – positioning the societies both in terms of their cultural values (i.e. "SHOULD BE"-scores) and cultural practices (i.e. "AS IS"-scores) – will be particularly relevant. If two cultures exhibit different cultural practices but similar values (that are more decisive in the sense that they are quite steadfast and inherent in a society`s culture) convergence between them may be possible. The different cultures may then share common aspirations about the way things should be done and could use this base to jointly assess how to best move their AS IS-practices into the intended direction. Another advice is to assign relationship managers who focus on the creation of a common space (developed through an understanding of shared cultural traits and objectives) as well as the establishment of constant contact (through regular meetings in the form of virtual and face-to-face encounters including both formal and social exchanges). This socialization process will allow the building of trust between the parties involved. Last but not least it is crucial for leaders to consider each intercultural encounter as another accumulated experience (rather than an isolated situational context) providing an opportunity for continuous learning and improvement.<sup>118</sup>

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<sup>118</sup> See Javidan et al. (2005), pp. 71-74.

In conclusion, GLOBE`s research findings present valuable assistance when combined with a proactive and constructive approach that aims at closing efficiency gaps by being aware of cultural differences as well as similarities, clarifying common goals and criteria of success, understanding potential challenges or misunderstandings due to cultural distances, and by willingness and eagerness to learn and improve through experience. Beyond that, some aspects of cultural differences may even be transformed into opportunities by making use of advantages such as positive effects of synergy and mutual learning.

### **3.3 Leadership 2030 – the Megatrends Research**

*"The nature of leadership will have to change dramatically if organizations are to harness the benefits and counter the negative effects of the six megatrends [...]"*<sup>119</sup>

The authors of the quite recently published book *Leadership 2030* unveiled the six megatrends that are currently transforming the business environment (and will continue to do so according to their predictions). They worked in cooperation with the US-American global management consulting firm *Hay Group* as well as *Z\_punkt*, a German leading international consulting firm of strategic foresight.<sup>120</sup>

The research process was launched by the authorial intention to examine what exactly is bringing about the perception of change that is commonly ascending from plenty of observations and experiences – with the conclusion that we live in an "era of far-reaching change".<sup>121</sup> Prognostications are that the way of doing business will change dramatically, and so will the leadership style that will be applied towards people and organizations. Even though the future can never be precisely predicted, the researchers aimed at identifying the main driving forces of change and deriving therewith connected implications for organizations and their leaders. Relying on *foresight* analysis, also known as *futures studies*, the research team eventually discovered six *current* megatrends in global society. The term *megatrend* was first coined by US-American futurologist John Naisbitt.<sup>122</sup>

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<sup>119</sup> See Hay Group (2014). *Globalization 2.0. The global balance of power is shifting.*

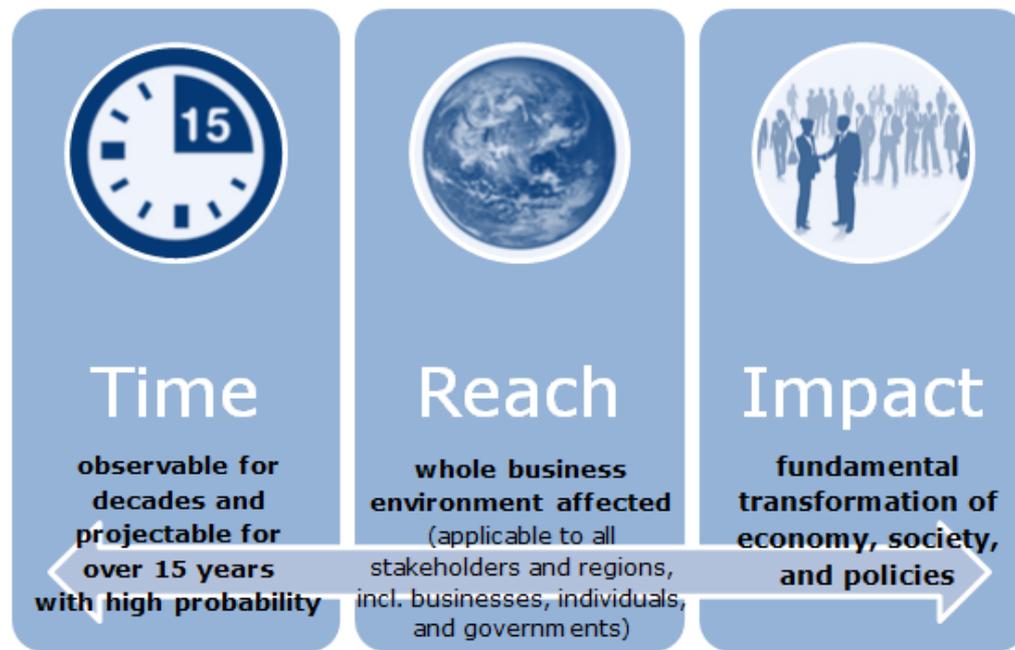
<sup>120</sup> See Hay Group (2015). *About the megatrends.*

<sup>121</sup> See Vielmetter and Sell (2014), p. 3.

<sup>122</sup> Cf. Naisbitt (1982).

When talking about a megatrend, one needs to be aware that it represents, unlike other more short-term oriented trends, a “long-term, transformational process with global reach, broad scope, and a fundamental and dramatic impact”<sup>123</sup>:

**Figure 3.3.1: The Dimensions of a Megatrend**<sup>124</sup>



The extensive analysis of the research partners encompassed the perspectives of thousands of employees on the prevailing leadership practices in their organizations from all across the globe. In addition to that, hundreds of studies and articles covering the megatrends were analyzed. Also, opinions and attitudes were gathered from discussion platforms, such as lectures and workshops, as well as from informal conversations with business leaders and academics. By examining each megatrend individually, a detailed understanding of each one of them with regard to their causes and consequences could be gained. Only subsequently, they investigated the effects of the megatrends when considered in combination. What they found out then was that not only did each megatrend wield important influence on organizations and their leaders by itself, but also did the interaction of the trends taken altogether produce both reinforcing as well as contradicting effects, making it even more challenging for business leaders to manage these demanding changes.

The researchers studied the causes and effects of all megatrends on three levels. Those levels comprised the business environment as a whole, the organizational level, and the individual level composed of leaders and their teams. The main focus was laid on the implications the trends were inducing for organizational leaders, and thus on

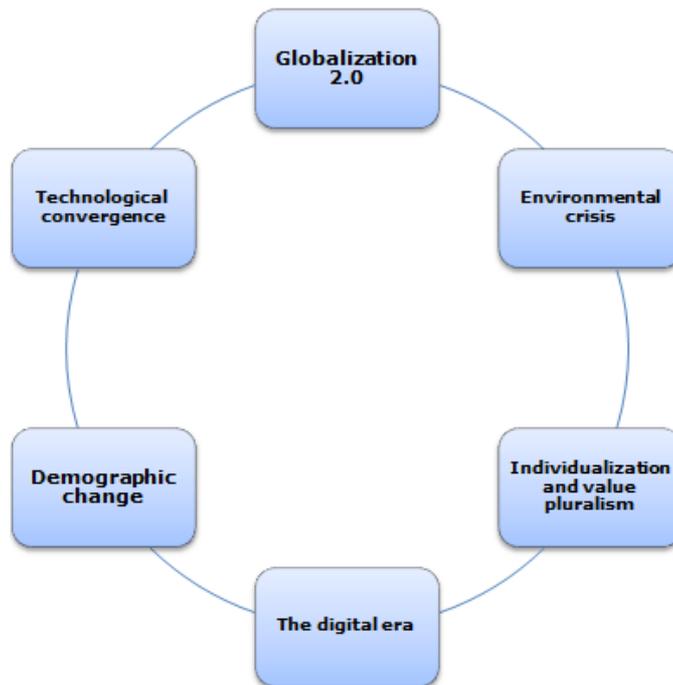
<sup>123</sup> See Vielmetter and Sell (2014), p. 6.

<sup>124</sup> Own illustration adapted from Vielmetter and Sell (2014), p. 6.

the prerequisites leaders needed to exhibit in order to excel in today`s world molded by megatrends.<sup>125</sup>

The six megatrends that were identified by foresight analysis in collaboration with *Hay Group* and *Z\_punkt* are displayed in the figure below:

**Figure 3.3.2: The Six Megatrends<sup>126</sup>**



This paragraph will briefly outline the implications for organizations and leadership (in particular) which *one* of these megatrends – *Globalization 2.0* – brings along, as this one reflects exactly the impact on leadership effectiveness this thesis paper is exploring.<sup>127</sup> In the context of Hay Group`s research the term *Globalization 2.0* describes the emergence of a new economic world, with global balance of power shifting towards rapidly developing markets (pre-eminently in China and India), and the associated materialization of a global “middle class”. As a consequence, the business world will face various new opportunities and risks, the latter including higher volatility and increased likeliness of financial crises due to the greater inter-connectedness. This has just been a short insight to underscore the importance of being aware and sensitively reacting to the economic and political changes occurring in different countries, especially in those displaying emerging or developing economic markets.

<sup>125</sup> See Vielmetter and Sell (2014), pp. 3-12.

<sup>126</sup> Own illustration adapted from Vielmetter and Sell (2014), p. 11.

<sup>127</sup> For an explanation of the other megatrends, see Vielmetter and Sell (2014), e.g. pp. 10-11.

In practice, this means that multinational corporations will have to successfully manage the competitive demands of both globalization and localization (for local “re-regionalization” of markets represents a feature of the new developments, amidst others). They need to be flexible, adapting their global strategies to cope with the challenges of our fast pacing environment. For instance, they will be helped by creating culturally-diverse leadership teams and by fostering cross-cultural cooperation, which leads us to further implications about leadership. The characteristics and skills global leaders will require for their business operations to be verily fruitful are matchless – including adaptability, multilingualism, mobility, flexibility, a strong sense of collaboration, as well as high contextual thinking, only to name a few. Overall, the construct *Globalization 2.0* emphasizes the inevitable need for cooperation to take place among several executives due to the fact that one head of company commanding the business strategy from the top will not be sufficient anymore (if it ever was, indeed), considering the enormous complexity of the leadership task in today`s intertwined world economies.<sup>128</sup>

In connection with the megatrends research and its implications for organizational leaders, the concept of *altrocentric* leadership emerged. Being *altrocentric* is defined as being concerned for others rather than for oneself, thus incorporating the opposite of someone who is behaving egocentrically. Nevertheless, altrocentric leaders represent self-confident, strong personalities, but with the subtle distinction that they are able to set their ego aside and place their focus on the greater whole (i.e. the overall organization or the team they are leading) which they consider themselves an integral part of. That is to say, while egocentric leaders are more concerned with personalized power they gain from controlling others, altrocentric leaders are intrinsically motivated by *socialized* power.

Looking back at more traditional leadership approaches, such as the *trait approach*<sup>129</sup> (concept of the “born leader”, meaning that certain leadership qualities are innate and only the exceptional possess them; cf. “great man” theory), it becomes clear that those have been in line with *authoritative* leadership styles reflecting “alpha-male” behavior and a “do-as-I-say” philosophy. As predicted by the megatrends research, these attitudes will, however, prove ineffective in the contemporary economic and cultural landscape transformed by exactly those megatrends. Instead, leaders will have to adopt an altrocentric approach which will be a better fit to the complexities encountered in the new business world. This “post-heroic” leadership style will be characterized by high levels of empathy, integrity, ethical standards, tolerance, self-

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<sup>128</sup> See Hay Group (2014). *Globalization 2.0. The global balance of power is shifting.*

<sup>129</sup> Cf., e.g. Northouse (2013), pp. 19-42.

awareness, and other attributes extending beyond, that shape an outstanding, emotionally and culturally intelligent leader.<sup>130</sup>

Referring more specifically to the findings of the *Leadership 2030* research, those suggest that new leadership competencies and especially mindsets will be needed as future leadership will comprise more professional *and* personal “discomfort”. For instance, two of the identified megatrends, namely *digital era* and *technological convergence*, change the interaction of people through new technology, enabling connectivity and originating virtual work groups. Traditional workplaces and hierarchies will be evermore replaced or transformed to a mobile setting. For the leader this phenomenon implies that he will need to manage diverse team members, who are equipped with different levels of digital knowhow, *across* cultures and time zones through new mediums and, what is more, he will have to encourage engagement and cooperation among teams who meet only infrequently – owed to the reorganization of conventional workplaces and team constellations into virtual ones instead. This does not only mean that employees can operate from anywhere and anytime, but also that consumers can conveniently access almost any information online. Additionally, the mounting popularity of social media is blurring the separating line between private and business life. This tremendous increase in transparency rendered possible by digitization demands high levels of integrity and sincerity from leaders. The advancement of technological convergence, also referred to as the “era of big collaboration”, entails powerful innovation in communications and several other sectors. Corporate structure as such will be opened up, facilitating new dimensions of knowledge sharing between business units, whole organizations, as well as entire scientific domains. Therefore, prosperous businesses will require exceptional influencing and collaboration competencies in order to lead the way in this highly competitive economic environment.<sup>131</sup>

Overall, what has been clearly demonstrated so far is that a leader`s mindset, involving values, beliefs, and assumptions, hugely impacts his behavior and his resultant capability to inspire and motivate others and thus to eventually lead successfully. In order to be able to handle the increased uncertainty and pressure of tomorrow`s business world, the ideal image of the future leader will presumably represent a so-called *altrocentric* personality which will be adept at creating a long-term vision and engaging rather than commanding or controlling.<sup>132</sup>

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<sup>130</sup> See Hay Group (2015). *Q&A. Leadership 2030*.

<sup>131</sup> See Hay Group (2015). *About the megatrends*.

<sup>132</sup> See Maroun (2014). *What is altrocentric leadership?*

## 4 Business Culture – a comparison between the Home and the Host countries` Culture of a MNC

*"Growing a culture requires a good storyteller. Changing a culture requires a persuasive editor."*<sup>133</sup>

This chapter intends to elucidate the characteristics of organizational culture, focusing on the different influences national cultures exert on corporate culture. This will be crucial to estimate in how far a MNC will have to adapt its "way of doing things" when operating within its subsidiaries abroad in order to ensure smooth cooperation, while at the same time maintaining its maxim and set of principles that are characteristic of its country of origin. Managing this "balancing act" probably poses one of the greatest challenges to contemporary business.

### 4.1 Corporate Culture defined

*Business* culture is defined as the reflection of "[...] the values, beliefs and norms regarding how business is conducted in any society [...]"<sup>134</sup>, as opposed to *national* culture that comprises "[...] the pervasive and shared values, beliefs and norms that guide life in any society [...]"<sup>135</sup> and can manifest itself in cultural beliefs, norms, symbols, stories, rituals, and customs. A country`s business culture is, quite naturally, strongly influenced by its national culture<sup>136</sup>, but not exclusively.

Hofstede, analogous to his definition of culture referring to the individual, uses the designation "corporate culture" to describe the "*shared* mental software" of the people within an organization. However, he stresses that organizational cultures are a stand-alone phenomenon, incorporating a social system that is, in various respects, different from a nation`s culture. Hofstede ascribes this difference mainly to the fact that members of an organization were able to influence their decision to become part of it at least up to a certain point and that they are mostly involved in it only during their work life.<sup>137</sup> Besides, it is noticeable that when comparing people from different national cultures – *ceteris paribus*<sup>138</sup> – remarkable differences in values were detected, despite otherwise similar practices among employees in resembling occupations but

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<sup>133</sup> See Ryan Lilly quoted by Goodreads (2015).

<sup>134</sup> See Cullen and Parboteeah (2010), p. 196.

<sup>135</sup> *Ibid.*, p. 180.

<sup>136</sup> *Ibid.*, pp. 180, 196-197.

<sup>137</sup> See Hofstede (1997), p. 18.

<sup>138</sup> I.e. "all other things being equal"; here, comparing otherwise "similar" people.

different national subsidiaries<sup>139</sup> (vice versa, comparing otherwise similar people in different organizations resulted in considerable differences in practices but much lesser differences in values, underscoring the assumption that differences in values are mainly accredited to differences in national cultures). Findings showed further that the relative distribution of values versus practices turned out to be exactly reversed when comparing the national to the organizational level of culture.<sup>140</sup> This meant that at the national level cultural differences lay mainly in values, while at the organizational level they indwelled largely in practices. Since the term "practices" rather designates more superficial manifestations of culture, Hofstede annotates that the key component of corporate culture should be in fact referred to as "shared perceptions of daily practices"<sup>141</sup> rather than shared values which by contrast constitute the centerpiece of national cultures.<sup>142,143</sup>

Van Maanen and Barley view organizational culture as a product of "ecological context", "differential interaction", and, what is more, of "collective understandings" as well as "reproductive and adaptive capacity". The structural prerequisites described by the first two factors presuppose frequent proximity and interaction of people for organizational culture to develop at all. Collective understanding, however, is considered to be the core factor for the creation of corporate culture: "Only when members of a group assign similar meanings to facets of their situation can collectives devise, through interaction, unique responses to problems that later take on trappings of rule, ritual and value."<sup>144</sup> From the factor of adaptive modification follows the fact that corporate culture is not necessarily fixed and unchangeable. Even though significant historical events may have considerably shaped the organization's culture, this does not preclude the possibility that recent events, such as the appointment of new leaders, may as well induce subsequent cultural change either on the level of their assigned work group or even on the level of the broader organization.<sup>145</sup>

Another definition of corporate culture, that is indeed interesting and worth considering, has been proposed by the theoretical work of Friebel and Giannetti,<sup>146</sup>

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<sup>139</sup> In this case the investigation was carried out among *IBM* employees within the scope of Hofstede's *IBM* studies (cf. also Chapter 3.1).

<sup>140</sup> These findings were gained from the project undertaken by the *IRIC* institute in affiliation with Hofstede.

<sup>141</sup> See Hofstede (2001), p. 394.

<sup>142</sup> *Ibid.*, pp. 393-394.

<sup>143</sup> Referring to the findings that the core of an organization's culture lies more in shared *practices* rather than values, Hofstede and colleagues argue that because cultural *values* are acquired early on in life (mostly during childhood), they are difficult to change later (cf. Hofstede's description of an individual's "mental programming" in Chapter 3.1).

<sup>144</sup> See van Maanen and Barley (1985), p. 34.

<sup>145</sup> See van Maanen and Barley (1985) as cited in Smith and Peterson (1988), pp. 101-102.

<sup>146</sup> Cf. Friebel and Giannetti (2009), as cited in Barth (2015), p. 2.

Kosfeld and von Siemens,<sup>147</sup> van den Steen,<sup>148</sup> and Barth, stating that corporate culture can be described as “a sorting mechanism that matches workers into firms with corresponding values and beliefs.”<sup>149</sup> This concept can be thus ascribed to the principle of *self-selection*<sup>150</sup>. According to this, potential employees and, above all, CEOs sort themselves into that organization whose corporate culture best matches their own values and beliefs. This is insofar an intriguing thesis as it implies that different corporate cultures evolve due to the organizations’ competition for workers with heterogeneous preferences – instead of initially being created by the entrepreneurs.<sup>151</sup> Transferring this onto the cross-cultural context, this could well mean that certain values that are shared by all members of the organization, and thus contributing significantly to corporate culture, may not stem from their national or ethnic background. In other words, individuals select exactly that company in which the values it stands for are already in line with their own beliefs. Hence, people who share the same norms and values that are decisive for the firm’s respective corporate culture might still come from different cultural backgrounds. The following example shall elucidate this reasoning: Even though countries belonging to the *Anglo* cluster tend to score low on the cultural dimension of *in-group collectivism*, an individual from an Anglo cluster country might still prefer to work in a company that places great value on in-group collectivism because of his individual personality that better identifies with this practice. For instance, *Confucian Asia* country clusters by tendency score high on that dimension (for all cluster scores on the several dimensions, cf. the table of *GLOBE Country Clusters and Cultural Dimensions* as can be found in the appendix). Therefore, a Briton or US-American might want to work for a Japanese or Chinese bank rather if he emphasizes relatedness with groups and places social obligations and responsibilities over his personal needs and attitudes.

Dwelling on the distinction of different types of corporate culture that are contingent on certain value drivers and effectiveness criteria, this subchapter intends to conclude by presenting the popular *Competing Values Framework (CVF)*. The latter serves as a guiding instrument for leaders, managers, and employees to classify their company’s primary cultural type and furthermore, to understand the organization’s inherent cultural tensions created due to certain *competing values* that are closely intertwined. The framework is based on the underlying notion that every organization shows

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<sup>147</sup> Cf. Kosfeld and von Siemens (2011), as cited in Barth (2015), p. 2.

<sup>148</sup> Cf. van den Steen (2005), as cited in Barth (2015), p. 2.

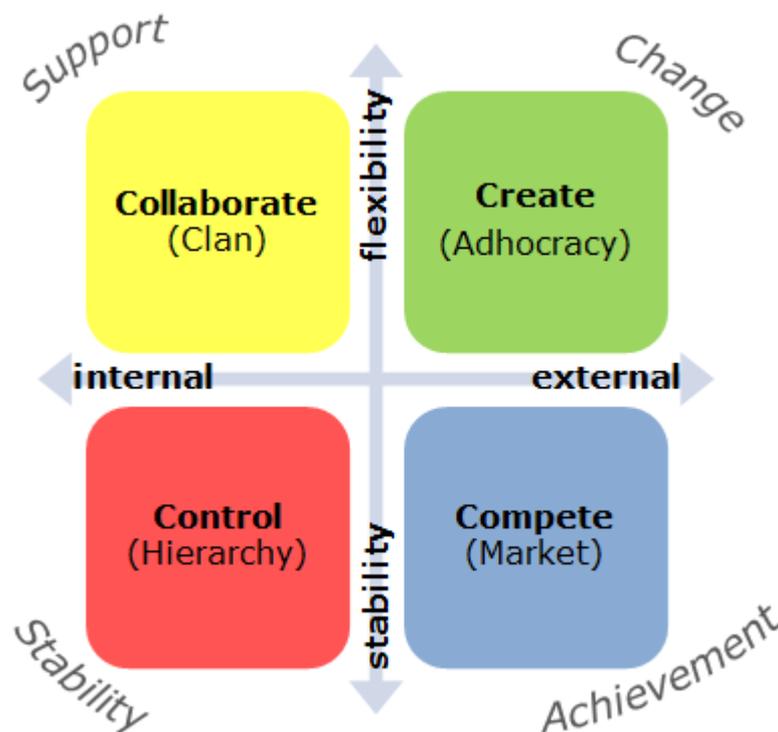
<sup>149</sup> See Barth (2015), p. 2.

<sup>150</sup> For further explanations about this specific selection process, cf., e.g. Kosfeld and von Siemens (2011).

<sup>151</sup> Cf. Barth (2015), pp. 2, 6, 8-9.

specific patterns and a certain degree of predictability in relationships.<sup>152</sup> The CVF emerged from a number of empirical studies on organizational effectiveness. Quinn and Rohrbaugh eventually discovered two dimensions of effectiveness, with the first one representing the organization`s *structure* – ranging from stability and control to flexibility and change – and the second one displaying the organizational *focus* – from an internal emphasis on the people within the organization to an external focus of the company`s competitive positioning.<sup>153</sup> The framework itself consequently consists of four quadrants, differentiated by a vertical axis (depicting the organization`s structure) and a horizontal axis (showing the organization`s focus). As a result, each quadrant faces to complementary quadrants and one that is highly contradictory.<sup>154</sup> The quadrants are entitled *Control*, *Compete*, *Create*, and *Collaborate* (in academic literature the cultural types are also often referred to as *Hierarchy*, *Market*, *Adhocracy*, and *Clan*, respectively, or as *Internal Processes*, *Rational Goals*, *Open Systems*, and *Human Relations*).<sup>155</sup>

**Figure 4.1.1: Scheme of the Competing Values Framework<sup>156</sup>**



<sup>152</sup> See Abbett, Coldham and Whisnant (2010), p. 8.

<sup>153</sup> Cf. Quinn and Rohrbaugh (1983), pp. 363-377.

<sup>154</sup> See O`Neill and Quinn (1993), p. 1.

<sup>155</sup> All types are mentioned in the same order as the quadrant names were listed.

<sup>156</sup> Own illustration of the CVF.

Each quadrant depicts a unique cluster of criteria that relate to the set of values and belief systems of the people belonging to the organization, to their leadership styles and to their way of organizing and planning, perceiving their environment, and producing value for customers.

In a *Control* culture formalization, routinization, and consistency are highly valued. People`s appropriate behavior can be best described by conformity and predictability. People behave accordingly when roles are clearly distributed and procedures are defined by rules and regulations. Effectiveness criteria are efficiency, timeliness, and sound functioning.<sup>157</sup>

A *Compete* culture`s values include competition, achievement, and competence. When they are provided with clear objectives and rewarded according to their achievements, people act competitively or even aggressively, eagerly planning and setting goals, while gathering customer and competitor information to most optimally position their company on the market. Effectiveness criteria of this cultural type can be summarized by productivity, product quality, profit, and an increased market share.<sup>158</sup>

The *Create* cultural type stresses values, such as growth, stimulation, variety, autonomy, and attention to detail. People give free rein to their creativity, are willing to take risks and at the same time are able to adapt, given they understand the importance and impact of their task. Effectiveness criteria of this cultural type can be subsumed under the concept of innovation.<sup>159</sup>

In a *Collaborate* culture the most important values comprise trust, support, affiliation, and cooperation. When the people trust in their organization and feel a strong sense of loyalty towards it, their behavior can be described as participative and dedicated, while attaching great importance to teamwork and open communication. Effectiveness criteria include employee satisfaction and commitment.<sup>160</sup>

The following matrix represents an extended version of the CVF, including some of the attributes that are characteristic for each culture type.

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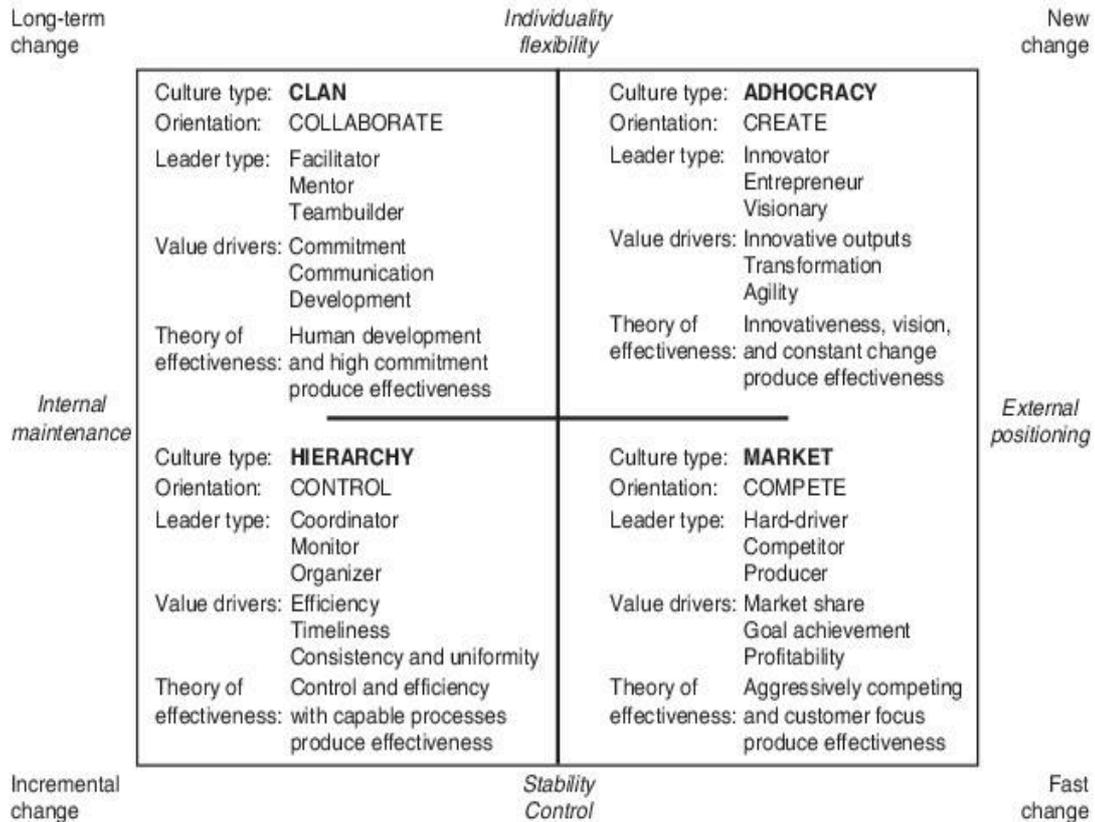
<sup>157</sup> See Hartnell, Ou, and Kinicki (2011), p. 679.

<sup>158</sup> Ibid.

<sup>159</sup> Ibid.

<sup>160</sup> Ibid.

**Figure 4.1.2: The CVF – Culture, Leadership, Value Drivers, and Effectiveness<sup>161</sup>**



In their book *Competing Values Leadership: Creating Value Organizations* Cameron, Quinn, DeGraff, and Thakor present a more elaborate approach for the assessment of corporate culture by creating enhanced value through new leadership behaviors that are derived from the CVF.<sup>162</sup>

Since research has repeatedly shown that the most successful organizations are the ones that deviate from the norm by combining all of the elements of the CVF, although those are by definition conflicting, Cameron et al. unveil more sophisticated guidelines for *transformational* leadership behavior. Their discussion of the extended function of the CVF aims at supporting leaders in combining stability *and* flexibility along with both internal *and* external perspectives. By their integration, entirely new opportunities will be created to capitalize on the strong points of all of the cultural types, though several of their inherent values are opposing. Precisely there lies the challenge for the leader and his followers – having to manage the conflicts and tension that will unavoidably arise concomitant with the clash of the different types of

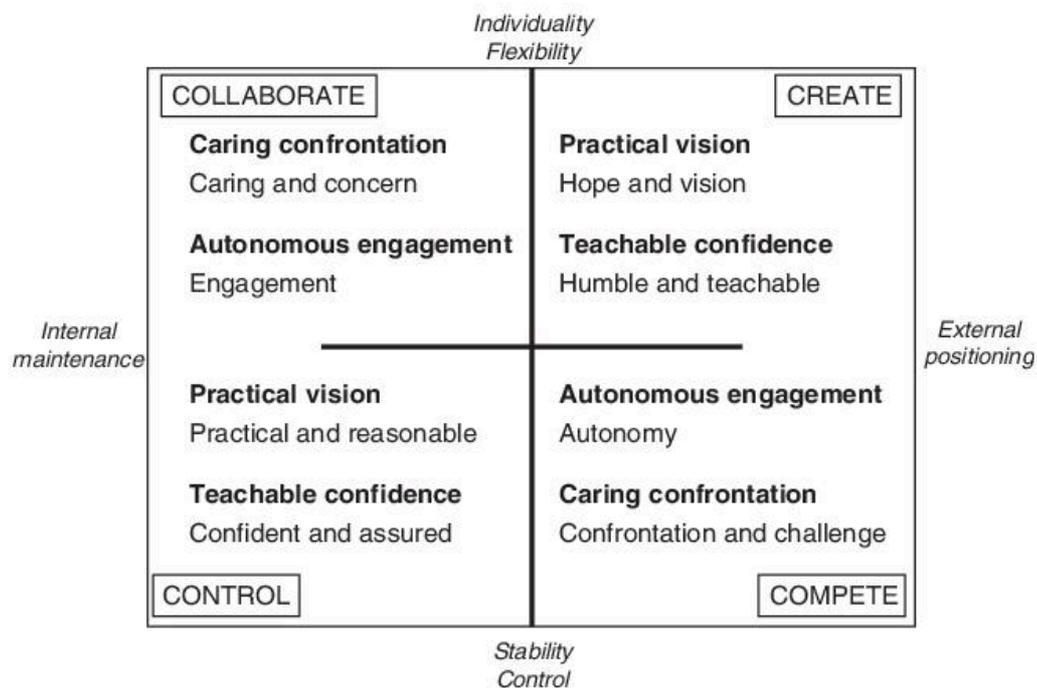
<sup>161</sup> Graphic taken from Cameron et al. (2006), p. 32.

<sup>162</sup> The reading matter on the extension of the CVF and the deduction of the transformational leadership behaviors can be found in Cameron et al. (2006), pp. 64-83.

corporate culture.<sup>163</sup> Still, most research suggests that leadership effectiveness is achieved by the congruence of a leader's personality, competencies, and behavior with an organization's culture. Leaders exerting a demanding, competitive style are likely to perform best in an organization whose predominant culture is given by the *Compete* cultural type, whereas leaders who are displaying a more supportive, caring style tend to perform best in a work setting where emphasis is put on the *Collaborate* culture. However, according to the transformational approach as proposed by the authors, the truly excellent leaders, who stand out from the crowd by generating the most value for their organization, have a more comprehensive sort of thinking and acting at their command. Because they possess more cognitively and behaviorally complex abilities, they do not only practice the leadership style that is congruent with their organization's prevailing corporate culture, but beyond that they demonstrate their dexterity in integrating contrasting value drivers and orientations, thus generating an added value.<sup>164</sup>

The final graphic illustrates the adjusted CVF as a creator of the new transformational leadership styles.

**Figure 4.1.3: Creating Value through New Leadership Behaviors<sup>165</sup>**



<sup>163</sup> See Cameron et al. (2006), p. 64.

<sup>164</sup> See Cameron et al. (2006), p. 83.

<sup>165</sup> Illustration taken from Cameron et al. (2006), p. 83.

## 4.2 Differences in Business Etiquette, Hierarchy, and Negotiation between Cultures

When *Tokyo Bank* was acquired by *Mitsubishi Bank* in 2003, many Tokyo Bank employees felt alienated by the customs and practices of Mitsubishi Bank's culture and left the newly joined bank. What became clear afterwards is that they had not been accustomed to nor had they been prepared for the eminently different cultural norms embedded in Mitsubishi Bank's corporate culture. By way of illustration, employees of Mitsubishi Bank shared the common standards of only wearing white dress shirts at work, always arriving at work at some time sharp, and thanking their supervisors in person for their monthly pay cheques as an expression of their appreciation for being paid by the organization. These are just a few exemplary practices that the employees of Tokyo Bank were completely unfamiliar with. This example of acquisition failure, that has been ascribed to a lack of cultural due diligence, is insofar peculiar as that it refers to a domestic rather than a cross-border transaction. The two banks were not even different in national cultures but, nonetheless, quite dissimilar in organizational cultures. One can imagine how even more difficult this case would have been had they stemmed from different nationalities as well.<sup>166</sup>

The case study mentioned above underscores the importance of thoroughly understanding the others' business culture, especially during M&A processes. In the connection of mergers or acquisitions, systematic cultural due diligence *prior* to the actual M&A process should determine the compatibility of the acquirer and its target company or of the two companies to be merged, respectively, and analyze soundly how the different cultures may be most successfully combined (if at all).

This brief perspective on the issue of cultural aspects of mergers and acquisitions accentuates the importance of leadership. Particularly such a process requires a true leader (not restricted to one individual personality) who transports a clear vision engaging and aligning both parties to create a new *mutually shared* corporate culture. Beyond successful mergers and acquisitions lies indeed the tremendous work of many leading personalities guiding teams through the transition period.

Mark E. Mendenhall and Günter K. Stahl show in their book *Mergers and Acquisitions: Managing Culture and Human Resources* that leadership in M&A can make a significantly positive impact. Leaders who are admired and credible can inspire others to reach the necessary level of confidence, commitment, and comfort by creating a

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<sup>166</sup> See Bhattacharyya (2010), p. 200.

sense of trust, purpose, and community. Since M&A represent very complex change processes, they require different types of leadership (the description of which would go beyond the scope of this paper at this point).<sup>167</sup>

Quite obviously, a country`s business culture is influenced by its national culture to a tremendous extent. Still, as the above case of the Bank of Tokyo-Mitsubishi reveals, there are other influential factors besides nationality that count into corporate culture.

All those aspects of business culture tend to be established in what is commonly referred to as *business etiquette* – “the range of acceptable and unacceptable behaviors when doing business.”<sup>168</sup> Some key aspects of business etiquette are presented in the following.

One significant consideration involves using the appropriate degree of formality when addressing a person. While, for example, in the USA the business culture can be described as more informal, in China or Germany using a person`s formal title and last name is expected. This norm is affected by the cultural dimension of *power distance*. A nation`s high degree of power distance places special emphasis on hierarchy and privileges of superiors. The respect for this hierarchical structure is therefore, among other things, expressed by the usage of the corresponding titles. High power distance is also reflected in a more conservative dress code and the importance placed on punctuality for appointments. Beyond that, regarding decision-making, in countries showing high power distance, the ultimate decision makers are usually those with the highest rank (cf. also Table 4.2.1).

Another very important aspect of business etiquette is displayed by the way societies view business relationships. Chinese business people, for instance, consider any partnership in the long term wherefore they approach their business partners with patience and expect them to do likewise. The cultural dimension that lies behind this behavior is the one of *collectivism*. Collectivistic societies emphasize relationships why Chinese negotiators often prefer to socialize to get to know each other before proceeding to the actual business matters, whereas US-Americans prefer completing their negotiations as promptly as possible. The degree of collectivism may also be reflected in the directness of speech: Saying “yes” in Japan may actually not indicate agreement but will be used notwithstanding to avoid a potential loss of face. High collectivist cultures seek to reach consensus, generally avoiding conflicts. Teams will rather show consensus than disagreement, especially in front of their hosts.

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<sup>167</sup> See Mendenhall and Stahl (2005), pp. 213-220, 414-415.

<sup>168</sup> See Cullen and Parboteeah (2010), p. 197.

Yet another critical aspect is the explicitness or implicitness of communication, as described by Hall`s low and high communication context, respectively, that has already been previously explained (cf. Chapter 2.2.2).<sup>169</sup>

The impact of intercultural encounters may even become more perceptible when getting involved in international business negotiations with another company that originates from a different cultural background, which the own company usually does not come into touch with on a regular, day-to-day basis. The multiple stages in negotiation include relationship building, agreement, information exchange, questioning, options, bidding, bargaining and the final settlement.<sup>170</sup> Of course, it is important to keep in mind that - depending on the culture (especially distinguishing between low versus high context and monochronic versus polychronic cultures) - the order of the stages might vary, some steps might be completely left out of the negotiation procedure or several stages might occur at the same time. More importantly, the emphasis, different cultures place on the different aspects of negotiation, should be considered when trying to adjust to the counterpart`s way of procedure. All the factors discussed in the previous chapters, such as communication context, directness, and concepts of time and power, play a key role in negotiation.

The table displayed on the subsequent page summarizes cultural assumptions that primarily influence negotiation by comparing three different cultures.

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<sup>169</sup> See Cullen and Parboteeah (2010), pp. 197-198.

<sup>170</sup> See O`Connor et al. (1992) as cited in Gibson (2000), p. 78.

**Table 4.2.1: Differences in Negotiation across Cultures<sup>171</sup>**

<i>Cultural assumptions</i>	<i>Cultures</i>		
	<b>North American</b>	<b>Latin American</b>	<b>Japanese (Asian)</b>
<b>Social Interaction</b>	Face-saving is subsidiary. Decision making incorporates solely the cost-benefit analysis.	<i>Own</i> face-saving is crucial for one`s dignity and honor.	Face-saving is generally critical. Decision making involves protecting somebody from embarrassment.
<b>Emotions</b>	Little emphasis on emotions. Transactions are mostly unemotional.	Emotions are valued. Interactions can be highly emotional and even passionate.	Emotions are valued, but have to be hidden.
<b>Persuasion</b>	Argumentative, whether right or wrong. Practical when presenting arguments, impersonal when arguing.	Passionate and emotional when arguing. Seek warm interaction and a lively debate.	Not very argumentative, quiet when right. Great emphasis on modesty and self-restraint, respect and patience.
<b>Power</b>	Power games always played. Litigation rather than conciliation. Strength is highly valued.	Great power games. Being stronger than the counterpart is particularly stressed.	Power games are rather subtle. Conciliation is sought.
<b>Decision Making</b>	Decision makers receive inputs from team work.	Decisions are made by the individual in charge.	Decisions are made by the whole group.

The purpose of this short outline of cultural peculiarities in the process of negotiation was meant as another demonstration in order to realize yet again that every situation requires the influences of culture to be taken into account. Referring back to Hall`s context culture styles, a practical incident could be that high context cultures may even distrust a contract that is legally binding in every detail and be offended by the lack of trust it suggests.

It cannot be stressed enough that in any way of communication accurate attention has to be paid to the cultural *embeddedness* of social and economic interaction.

<sup>171</sup> Own illustration adapted from Casse and Deol (1985), p.10.

### 4.3 Managing the Multinational Organization around the Globe

"Great leaders create great cultures regardless of the dominant culture in the organization." <sup>172</sup>

When leading a multinational corporation, the true challenge consists of not only managing cross-border but also cross-cultural, i.e. handling the whole cultural constellation of the MNC.

According to a working definition the ideal *multicultural* organization is characterized by the following features: Pluralism, complete structural integration, complete integration in informal networks, absence of prejudices and discrimination, identification with the organization by all of its members, and rare intergroup conflicts.<sup>173</sup>

Concerning the successful management of multicultural organizations, Hofstede states that it is indeed crucial that they own a *dominant* national culture. He places such importance on a prevailing culture on the basis of the following reasoning: For the proper functioning of an organization it is important that it holds a certain set of shared values or practices as a frame of reference. *Multinational* organizations are defined as organizations that operate in several countries but which are linked to one "home" country and its culture, which is where most of the organization`s chief operating decision makers come from. In contrast, *international* organizations lack such a home national culture and thus a common reference frame. This is why MNCs are easier to lead because the values of their home culture are postulated and serve as a general framework for the members of the organization – for people from other nationalities just as well.<sup>174</sup>

Hofstede finds that the failure rate of non-home culture executives is by far greater than the one of home-culture executives in MNCs. He attributes this to a lack of *biculturalism*. However, only executives who occupy an intermediary role (Hofstede calls this "linking agent" or "linking pin" role) between the superordinate structure of the company`s country of origin and its national subsidiaries need to be bicultural. Employees who only work within a national subsidiary do not necessarily have to possess this quality (at least not according to Hofstede), as, in reality, the internal procedures of subsidiaries are oriented more towards the value systems of the host

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<sup>172</sup> See Anderson (2015).

<sup>173</sup> See Elmerich (2007), p. 101.

<sup>174</sup> See Hofstede (1986), p. 271.

culture, although many home culture policies and concepts have been formally adopted.<sup>175</sup> Beyond that Hofstede elaborates on common issues that arise when dealing with the management of MNCs. First of all, he believes that creating the organization's own subculture is an essential task of management, specifically in MNCs dealing with cultural diversity within the firm. Those subcultures comprise phenomena having acquired a special meaning for the members of the organization, such as symbols, rituals, a particular way of communication, etc. Since organizational subcultures develop around task-relevant issues, such a shared subculture among people (especially of else different national cultures) contributes largely to the facilitation and enhancement of communication and motivation. Since organizational subcultures, similar to national cultures, tend to be very stable once they are established, management should devote high levels of attention to the cultural creation process in order to ensure their strength and effectiveness. Other problems, that will not be explained any further at this point, include choosing adequate partner cultures, the organizing, staffing, and rewarding of international headquarters operations for dealing optimally with diversity-related issues, forming international teams with a well-balanced cultural constellation to ensure optimal collaboration, as well as the delicate question whether to accept or change local cultural habits in host countries.<sup>176</sup>

Looking at the theory of intercultural and interethnic management, certain "ideal-type" strategies for cross-cultural cooperation are marked out; namely, the ethnocentric versus the polycentric versus the geocentric approach.<sup>177</sup> The characteristics of the respective approaches shall be briefly outlined at this point.

The *ethnocentric* strategy can be described as "one best way" approach as it aims to impose the parent company's culture on all of its subsidiaries. Emphasis is put on unity, efficiency, and a strong appreciation of the home country's values. Possible effects of cultural diversity are regarded as a threat rather than an opportunity. Close monitoring of subsidiaries by the headquarters as well as expatriate managers holding key positions in the subsidiaries intend to ensure that the culture of the company's country of origin is realized. The underlying assumption is that, since the applied way of organization and management has proven most successful, it should be universally applicable.

Contrarily, the *polycentric* approach takes the view that deploying a universal strategy is undesirable and that MNCs should adjust to the local culture of the respective

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<sup>175</sup> Ibid., p. 272.

<sup>176</sup> See Hofstede (1986), pp. 273-276.

<sup>177</sup> The actual *EPG model* was first introduced by Howard V. Perlmutter in the 1960s.

subsidiary, according to the motto: "When in Rome, do as the Romans do".<sup>178</sup> Here, diversity is allowed and even welcomed. Central monitoring is substituted by the relative autonomy being handed over to the local branch with a host-country national heading the subsidiary since headquarters' managers are not considered to possess sufficient local knowledge. Corporate Culture is viewed as a *melting pot* of all the different cultures that are incorporated in it. The underlying conclusion behind this is that standardized, universal management methods and organizational forms are not efficient when operating in a multinational context and that cultural differences should be taken into account instead, finding an overall balance between integration and differentiation.

Lastly, the *geocentric* strategy argues that corporate efficiency presumes some central rules that should be followed by all local managers and furthermore, some central values that are commonly shared. Diversity is appreciated, but still emphasis is put on the overall company which everyone is a part of and should identify with.<sup>179</sup> According to Richard J. Fung, the organizational culture should not be imposed but rather constantly negotiated between headquarters and local branches – with the ultimate goal to achieve cultural synergy, for which both parties have to adjust themselves. Adaptation can be thus seen as a two-way process, in which the home country's management adjusts the organization's policies and practices to some degree to local circumstances, while at the same time the host countries adapt to the requirements of the overall corporate strategies and procedures.<sup>180</sup> The geocentric approach is also referred to as the *global* strategy since it looks at how business is conducted anywhere in the world rather than focusing on its country of origin or a specific host country. Staffing is done on a global basis as well, meaning that people are hired based on their fit with the skills and knowledge the vacant position requires, regardless of where they come from.<sup>181</sup>

Certainly, each of the approaches presented above, offers its own advantages and disadvantages, respectively. Every MNC should thus assess its strategic profile in terms of their international business strategy and carefully analyze if its prevailing focus is consistent with corporate culture and the company's overall objectives. Yet against the background of the topic of cultural diversity being more current than ever, the geocentric approach seems to best reflect this trend. A great advantage is that this strategy facilitates competitiveness across the entire world due to its flexible applicability in terms of location. By creating ways of doing business that are sensitive

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<sup>178</sup> Cf. Harris and Moran (1987) as cited in Sackmann (1997), p. 325.

<sup>179</sup> See Sackmann (1997), pp. 324-330.

<sup>180</sup> See Fung (1995), pp. 64-65.

<sup>181</sup> See Lander (2015).

to different styles exerted by different cultures, effective communication and management is made possible, no matter where the MNC needs to establish its subsidiaries. The biggest challenge associated with it is to find or cultivate leaders, managers and employees who are able to simultaneously adopt multiple styles and to utilize them appropriately.<sup>182</sup>

However, and this may be the largest drawback of geocentrism, according to Hofstede, caution has to be exercised when adopting this global strategy as it can be regarded as a complement to “convergence theory” (that will be discussed in the following subchapter). That is to say, the latter hypothesis has turned out to be less plausible or reliable than initially anticipated. From this vantage point, under most circumstances, MNCs should be advised against *exclusively* deploying a geocentric approach for they would, otherwise, lack a common cultural reference frame (due to the absence of a dominant national culture that, as mentioned before, Hofstede accounts an essential asset for the proper functioning of an organization).<sup>183</sup>

Besides, another very interesting notion of corporate culture suggests that an organization`s culture is determined by a predominant equilibrium having emerged from a multiple equilibria outcome of a coordination game among a company`s leader and his followers. Without delving deeper into the topic of game theory, this interpretation implies that corporate culture is rather created by the *interaction* of the leader<sup>184</sup> with his followers than it is dictated by the CEO, so to speak. It is a product of the magnitude of their collaboration and depends on the company`s mission and deduced strategy that the leader has created for one, and secondly, on his success in inspiring the rest of the organization to share this vision and to engage in achieving that mission`s objectives.<sup>185</sup> That is, leaders with a strong and clearly formulated vision can have a great implicit impact on the organization`s conduct and performance by attracting like-minded people who share his vision. Thereby this corporate culture will be reinforced, which in turn raises both effort and utility of the employees and improves their coordination and cooperation.<sup>186</sup> This process of the confirmation of corporate culture is in line with the implicit self-sorting mechanism of employees as discussed priorly (cf. Chapter 4.1). From this concept, one could infer that corporate culture is created by the synergies that work between a leader and his followers. The country of origin could thus play a secondary role in the determination of the firm`s

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<sup>182</sup> Ibid.

<sup>183</sup> See Hofstede (1986), p. 273.

<sup>184</sup> Note that the usage of the singular form of “leader” does not exclude the state of several leaders shaping the firm`s culture (in fact, especially MNCs require more than one leading personality, merely due to their size and spread across numerous locations).

<sup>185</sup> Cf. Kreps (1990) and Bolton, Brunnermeier, and Veldkamp (2013), as cited in Barth (2015), p. 5.

<sup>186</sup> See Barth (2015), p. 9.

culture, although it cannot be fully neglected (at which point it can be nicely referred back to the aforementioned quote, stating that effective leadership will create corporate culture, rather independently from the company`s originating national culture).

Returning to a more practice-oriented illustration, the table below shows four extremes of typical organizational structures depending on the respective national culture that exerts the major influence on the business organization:

**Table 4.3.1: Typical Organizational Structures depending on Culture<sup>187</sup>**

<p><b>Family</b></p> <p><b>Low</b> uncertainty avoidance</p> <p><b>High</b> power distance</p> <p>e.g. China</p>	<p><b>Village market</b></p> <p><b>Low</b> uncertainty avoidance</p> <p><b>Low</b> power distance</p> <p>e.g. Great Britain</p>
<p><b>Well-oiled machine</b></p> <p><b>High</b> uncertainty avoidance</p> <p><b>Low</b> power distance</p> <p>e.g. Germany</p>	<p><b>Pyramid of people</b></p> <p><b>High</b> uncertainty avoidance</p> <p><b>High</b> power distance</p> <p>e.g. France</p>

These structures, in turn, carry implications for the role of leaders. For example, in countries displaying low levels of both power distance and uncertainty avoidance (cf. the "village market" type of structure) problems are solved by leaders and their staff together as they arise. The exact opposite organizational structure is given by high levels of uncertainty avoidance and power distance (cf. "pyramid of people" structure). Countries exhibiting this structure emphasize a hierarchical bureaucracy with standardized work processes.<sup>188</sup>

If the predominant national culture in a subsidiary is represented by the local workforce, strategic considerations might imply adjusting the organizational culture according to the prevailing levels of the host country`s cultural dimensions (thus, exerting a polycentric rather than an ethnocentric approach). For clarification, a German MNC which has subsidiaries in China, for instance, where Chinese employees make up the far larger proportion, a reorganization of working practices should be

<sup>187</sup> Own illustration adapted from Hofstede (1991), p. 152.

<sup>188</sup> See Gibson (2000), p. 75.

considered in order to harmonize these with locally prevailing national standards. In the case of Germany and China this would imply a relatively considerable shift in work-related attitudes and procedures because of the two countries' reverse levels of uncertainty avoidance and power distance, respectively. While Germany scores high on UAI but low on PD, China's scores are allocated the other way round. Therewith connected aspects that should be taken into account include, but are not limited to, the German autonomous workings versus the direct supervision by the owner of a Chinese company, the German emphasis on structure and the completion of the task at hand versus the Chinese emphasis on relationships and group consensus, as well as the German LC versus the Chinese HC communication style.

Finally, the matter of leadership will be approached from a more holistic view. When managing people, *trust* always plays a vital role. Regarding the question of trust from an intercultural standpoint, it becomes visible that the willingness to show trust does not only depend on individual but also on cultural differences. For example, the Zurich researchers Ernst Fehr and Michael Naef found empirical confirmation, after having Germans and US-Americans play one of the prominent trust games that originate from behavioral game theory (cf. "The Prisoner's Dilemma", "The Trust Game", "The Ultimatum Game", etc.). Unlike the Americans, the Germans displayed a distinct sensitivity towards risk, a quite critical judgment of others' trustworthiness, as well as a strong aversion against being betrayed (cf. cultural dimension of *uncertainty avoidance*).<sup>189</sup> This last-mentioned *betrayal aversion* is not equally developed in all countries. The highest scores were measured in Arabic Oman. In Switzerland, the USA, and Turkey the effect was significantly distinct as well. The lowest impact of betrayal aversion was found in China and Brazil.<sup>190</sup>

Concerning the phenomenon of group affiliation, it is clearly observable how groups offer orientation and create a sense of belonging. Every group possesses certain norms that shape its members' beliefs and their behavior and that give them reassurance. From the perspective of the group there is only an *in-group* and an *out-group*. Only the in-group can be trusted. This group effect can be more or less pronounced. A truly committed, "closely-knit" team emerges especially in situations where it has to stand up to a "hostile" environment. On the one hand, this enhanced sense of community helps the group members cope with the distrust surrounding them; on the other hand, this "culture of trust" within the group paradoxically reinforces the suspicion of the others who do not belong to it. After all, one has to bear in mind that it is the others who assess one's trustworthiness depending on the

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<sup>189</sup> See Nöllke (2009), pp. 47-51.

<sup>190</sup> Ibid., p. 53.

group one belongs to, whether or not one would actually ascribe oneself to that particular group. It is noteworthy that just in multinational corporations it is decisive which nation someone is attributed to. This may be attributed to the fact that nationality represents a convenient feature to immediately be able to distinguish between "us" and "them". Beyond that one feels automatically linked with his fellow countrymen to some extent; be it just because of the same cultural roots that one shares with one another.<sup>191</sup>

The challenge for the intercultural leader consists in making everyone – regardless of their nationality, gender, age, etc. – part of *one* in-group that comprises the whole entity (on the level of the work team for one, and ideally on the whole organizational level as well). In order to be able to achieve this he will have to communicate a clear vision, highlighting the common purpose that *all* members of the organization share in order to establish a sense of belonging that abstracts from national cultures and the like. This is, of course, easier said than done. Reality shows that prejudices, stereotypes, and other means of discrimination, do in fact exist, if often only subtly (which, however, makes them even more difficult to identify in the first place, in order to be able to eliminate them subsequently). People primarily trust those that they consider part of their in-group. This principle cannot be simply overridden by those diversity programs that companies increasingly set up to foster multiplicity in business. In order to lay the foundation for a successful and healthy collaboration he will have to build on trust. By taking into account the different degrees of trust or mistrust and risk as well as betrayal aversion that different cultures show he will have to exert different levels of effort in order to earn every employee`s trust.

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<sup>191</sup> See Nöllke (2009), pp. 62-63.

#### 4.4 Culture Change from a Global Perspective

Accompanied by the system of global integration one could argue that cultures merge as well and hypothesize that, in the long-run, organizational culture will be made up of one "homogeneous whole" rather, in which all cultures of world economy will have blended. Viewed differently, the strategy and characteristics of best-selling countries, such as the USA or Japan, who have raised endlessly many successful companies that rank among the top global competitors, might be growingly copied by less successful countries – ultimately with a quite similar result: the trend toward "the rise of a single predominant economic system and one "melting pot" of cultures."<sup>192</sup>

Marx and Engels seemed to recognize first indications of the magnitude of globalization as early as in the 19<sup>th</sup> century.<sup>193</sup> They suggested that the world was getting smaller inasmuch as that the old and local procedures were yielding to new, more globalized ways of doing things. As a result of this, people across the globe started to share more of the same things – precipitated by the "compression of the world".<sup>194</sup>

At the same time, though, one could take the stance that – precisely because of globalization, rapid innovation cycles, and new technology drivers – the world has only opened up and has gotten larger than it ever was, proffering such a wide array of techniques, goods, services, et cetera. Due to advances in transportation and telecommunications, people have become so much more mobile, being able to closely encounter foreign cultures, and generally being provided with completely new growth prospects, both in terms of career as well as personal development.<sup>195</sup>

Considering these two divergent perspectives on ultimately the same trend, as outlined above, the question arises whether the world is indeed getting smaller or larger.

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<sup>192</sup> Cf. Mommaas (1991) as cited in Sackmann (1997), p. 325.

<sup>193</sup> The German philosophers identified this process of the "flattening of the world" in their *Communist Manifesto* – a political pamphlet first published in 1848.

<sup>194</sup> For further literature on this topic, cf., e.g. Friedman (2007) in *The World Is Flat 3.0: A Brief History of the Twenty-First Century*, pp. 233 ff. / Singh (2008) in *Marxism, Socialism, Indian Politics: A View from the Left*, pp. 202 ff.

<sup>195</sup> See Kaufman (2015).

Research into literature on culture change – induced by the ongoing process of globalization – also shows different views on that subject. Opinions are *either* tending toward the notion that cultures across the world will continually become more and more alike as they are increasingly exposed to one another (cf. the metaphor of the “melting pot” society), ...–

*“The logic of industrialism will eventually lead us all to a common society where ideology will cease to matter.”*<sup>196</sup>

– ...or they are directed towards the standpoint that world`s different cultures are generally too dissimilar for all societies to accept the same values and practices:

*“[...] surely most of the changes in industrial societies, and certainly the major ones by any crude scale, are disequilibrating rather than equilibrating – so that we should not expect a kind of end-state equilibrium to which all countries evolve.”*<sup>197</sup>

According to Hofstede, heterogeneity across different cultures still prevails and will continue to do so in the future. He attributes this to the reinforcement process of culture patterns by institutions that are themselves products of the predominant value systems. Consequently, those institutions stabilize the value concepts and conventions, which are characteristic of the cultural system they are embedded in, over long time periods. Nonetheless, the cultural systems may occasionally be subject to change due to scientific developments. Products of scientific discovery are considered as the key drivers of culture change. Most of the times they are adopted from outside the country (once again underscoring the impact of globalization) and do not originate from within the culture`s system. It has to be noted, however, that the degree of inquisitiveness and tolerance for the adoption of new conceptions (and therewith the rate of discovery and innovation, respectively) are determined by culture itself and are thus culture-specific.<sup>198</sup>

Due to the successive exposure of all countries to the same products of scientific discovery (largely facilitated by technological progress and mass distribution, inter alia, through mass media and transport) some researchers have reasoned that all cultures will become gradually more similar. The so-called *convergence* theory, first put forward by Kerr and colleagues in the 1960s,<sup>199</sup> states that as nations transition to

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<sup>196</sup> See Kerr et al. (1960), p. 101.

<sup>197</sup> See Feldman and Moore (1965), p. 265, as cited in Hofstede (1986), p.233.

<sup>198</sup> See Hofstede (1986), p. 233.

<sup>199</sup> Cf. Kerr et al. (1960) in *Industrialism and Industrial Man: The Problems of Labor and Management in Economic Growth* / Kerr (1983) in *The Future of Industrial Societies: Convergence or Continuing Diversity?*

highly industrial systems they would converge in their economic, social, and political systems from which a "global culture" would eventually emerge.<sup>200</sup> Analogously, comparative management literature also concluded that management philosophies and practices would increasingly resemble each other.

Hofstede denies that notion, dismissing it as unrealistic thinking. Instead he aligns with the statement that, even though technological progress can be seen as an important force to culture change that results in partly similar developments in different cultures, it does not by far erase diversity. What is more, it may even further increase differences between societies, since every culture handles innovation differently. After all, their way of doing things is to a great extent contingent on the established set of attitudes and values inherent in their cultural system and thus quite stable over time. As a matter of fact, the main proportion of cultural variety that is still prevailing at present can be traced back to a nation`s historical and political processes and incidents.<sup>201</sup>

The second viewpoint of the two divergent trends being proposed in this paper, that is in line with the statement that the world is actually getting "larger", will presumably prove true with higher likelihood in the foreseeable future. From this follows once more that being equipped with intercultural competence is of vital importance in modern economy and society.

Likewise, the survey data of Hofstede`s prominent study on international differences in work-related values (collected over a time interval in order to capture temporal development) show no convergence regarding the prevalent value systems between countries. Instead, they depict (almost) worldwide shifts in values. As a consequence thereof, this leads to implications for policymakers and executives who will keep facing collaboration problems between their organization`s members as the latter are equipped with different culturally influenced "mental programs".<sup>202</sup>

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<sup>200</sup> See Study.com. *Convergence Theory: Definitions & Examples*.

<sup>201</sup> See Hofstede (2001), p. 34.

<sup>202</sup> See Hofstede (1986), p. 12.

## 5 Cross-Cultural Awareness and Practice

*"We have all the financial, technical, and product resources we need to be a dominant global player. What we lack are the human resources. We just don't have the people we need who understand global markets and players."* – Jack Riechert, former CEO of Brunswick Corporation.<sup>203</sup>

Enhancing global business strategy, aligning HR issues with global business strategy, designing and leading change, building global corporate cultures, and developing global leaders represent the "Big Five" global HR challenges identified by Mendenhall et al.<sup>204</sup>

Many failures of foreign ventures have been ascribed to the inability of business and their practitioners to adjust to the demands of the international business landscape, resulting in unawareness or even ignorance towards the cultural challenges of doing business abroad on behalf of the headquarters managers as well as expatriate failure.<sup>205</sup> This lack of global leadership capabilities, which essentially reflect the ability of a leader to influence others who are unlike him and stem from different cultural backgrounds, calls for an effective approach to develop genuine cross-cultural competence. This chapter intends to deliver a practicable conceptualization of cultural competence or intelligence and, more critically, a vivid understanding of how cultural intelligence is nurtured in global leaders.

### 5.1 Cultural Intelligence and Intercultural Competencies

*"To be culturally intelligent requires embracing the spirit of the chameleon".*<sup>206</sup>

Cultural intelligence (CQ) is referred to as the ability to cross borders and thrive in multiple cultures.<sup>207</sup> CQ can be regarded as an evolutionary concept of the well-established notions of IQ and EQ. A truly great leader unites all three types of intelligence.

CQ builds on some of the aspects of EQ, comprising the ability to interact and lead with effective emotional sensibility, but specifically focuses on the additional and indispensable capability of effectively understanding and adapting to numerous

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<sup>203</sup> See Riechert cited in Mendenhall, Oddou, and Stahl (2007), p. 20.

<sup>204</sup> See Mendenhall, Oddou, and Stahl (2007), pp. 22-23.

<sup>205</sup> See Johnson, Lenartowicz, and Apud (2006), p. 525.

<sup>206</sup> See Joseph-Young (2009), p. 2.

<sup>207</sup> See Middleton (2014) on Common Purpose (2015).

cultural contexts that contemporary leaders require. The added value of the cultural intelligence approach – as compared to conventional literature focusing on cultural knowledge – consists in its emphasis on the attainment of *overall* understanding, motivation, and capabilities that enable smooth transitions in and out of different cultural contexts. People with high CQ are able to interpret and to relate to unfamiliar behavior and situations from outside a culture as though they were insiders to that culture, whereas people with low or no CQ are confused or even misled when experiencing social cues and information of a culture that appears strange to them. Culturally intelligent leaders are able to differentiate between universal, culture-specific, and those behaviors that are unique to an individual person in a particular situation.<sup>208</sup>

Attributes of *global* leaders comprise a *global mindset* (i.e. understanding various paradigms regarding leadership and culture; not only knowing differences in culture but also in legal, political, and economic institutions), *tolerance* for high levels of ambiguity (demanding quick perception and flexibility), and cultural *adaptability* (i.e. the dexterity to adjust one`s behavior according to the cultural setting in order to perform most efficiently given the circumstances, while establishing productive bonds with local employees and citizens).<sup>209</sup>

According to Adler and Bartholomew a transnational leader has to possess five main cross-cultural competences. First, he must be able to take a global perspective on worldwide business contexts. Secondly, he has to learn about many different cultures` perspectives and approaches. Third, global leaders have to be dexterous at working simultaneously together with people from very different cultural backgrounds. Fourth, they must adapt to living in foreign cultures. Fifth, the interaction between transnational leaders and their foreign business colleagues and clients will occur on a level of equality rather, abstracting from separating hierarchies of structural or cultural dominance and subordination.<sup>210</sup>

Marx`s research on sought-after attributes of international managers generated the following qualities (in order of priority): social competence, openness to other ways of thinking, cultural adaptation, professional excellence, language skills, flexibility, ability to manage/work in a team, self-reliance/independence, mobility, ability to deal with stress, adaptability of the family, patience, sensitivity.<sup>211</sup>

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<sup>208</sup> See Van Dyne, Ang, and Livermore (2010), pp. 44-45.

<sup>209</sup> See Javidan et al. (2006), p.85.

<sup>210</sup> See Adler and Bartholomew (1992), p. 53.

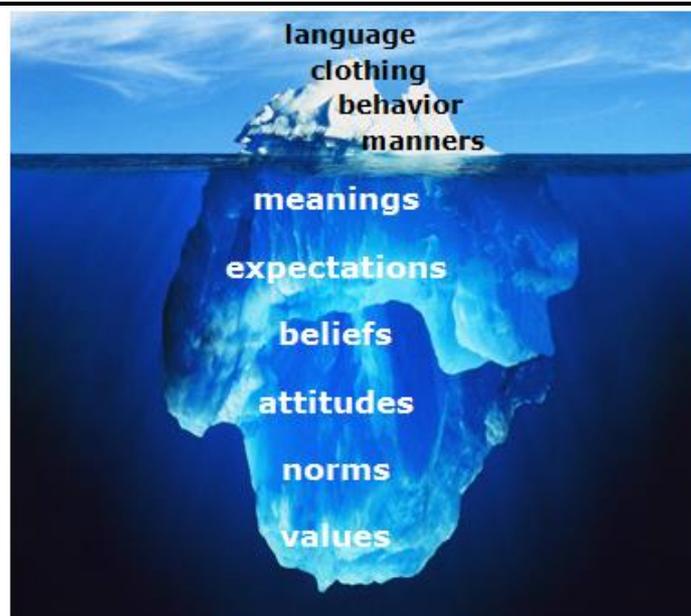
<sup>211</sup> See Marx (2001), p. 152.

Yet another description of cultural competence includes, according to LaFromboise and colleagues, possessing a strong personal identity and knowledge of as well as facility with the other culture`s values and beliefs, as well as being sensitive to the culture`s processes, communicating clearly in the language of the other culture, behaving in a manner that is approved of, sustaining active social relationships within the cultural group, and negotiating institutional structures of that culture.<sup>212</sup>

In order to obtain those invoked cross-cultural competencies, one needs to be very much aware of the unique nature of different cultures to begin with.

The necessary distinction between practices and values becomes evident, *inter alia*, when examining the suggestion that national cultures are becoming more alike or even the same through modernization (cf. Chapter 4.4) – the misconception lies in mistaking the rather superficial manifestations of culture (*symbols, heroes, rituals*<sup>213</sup>) for the intrinsic, underlying level of values which actually determines the meaning people ascribe to their practices. That is to say, even though people might share the same fashion, food, sports, and movies, etc. this does not concurrently mean that they share the same beliefs or attribute the same connotation to their behavior. Their veritable cultural values are not readily detectable; they lie deeper, below the surface. This is nicely demonstrated by the prominent *iceberg* model (similar illustrations appear also in form of the *onion* or *tree* model):

**Figure 5.1.1: The Iceberg Model**<sup>214</sup>



<sup>212</sup> See LaFromboise, Coleman, and Gerton (1993), p. 396.

<sup>213</sup> For further explanations regarding the physical manifestations of culture through *symbols, heroes, or rituals*, cf., e.g. Cullen and Parboteeah (2010), p. 180.

<sup>214</sup> Own illustration adapted from Keup (2010), p. 18.

If we imagine the encounter of two cultures as one of two different icebergs, it becomes apparent that a collision will occur most likely at the invisible part of the icebergs *below* the surface. When meeting other cultures and having to come to an arrangement with them, what we do is we adapt only “superficially” to other cultural practices and customs. However, the adjustment that is implemented above the surface does not comply with what lies beneath. Even if we manage to adjust our practices at the top to some extent, by learning new work techniques or modes of behavior, the vastly larger bottom part of our iceberg remains unchanged in its fundamental assumptions and value propositions. That is why someone trying to adjust to the behavioral patterns of his counterpart from another culture will presumably struggle inwardly when doing so as this will be against his natural manners. Eventually he will most likely revert back to the behavioral pattern consistent with his internalized principles. Since the lower part of the iceberg cannot be altered (cf. Chapter 3.1 or 4.1: the “the programming of the mind”, during which cultural values are acquired early on in life and will remain fairly stable over time), the question arises how a collision with a neighboring iceberg can be avoided or at least mitigated. The very first step is to raise awareness for different cultural moldings, that is, in metaphorical terms, knowing how one`s own and the other`s iceberg is shaped. After the self-reflection about one`s own cultural imprint one needs to gain substantial background knowledge about foreign “icebergs”. One can then compare the own culture to the foreign ones and identify both differences and similarities.<sup>215</sup> Using the similarities to bridge the differences will create a solid baseline to develop intercultural communication and cooperation skills.<sup>216</sup>

In the following, some models relating to CQ will only be roughly sketched – for the primary purpose of providing a brief, but relatively holistic overview over the concept of CQ competencies. Developing those capabilities will pave the way for successful global leadership in a rapidly globalizing environment.

The *model of cross-cultural competence (CC) in international business* includes three main dimensions: The knowledge, the skills, and the personal attributes dimension. Components of the *knowledge* dimension are the culture-*general* knowledge on the one hand and the culture-*specific* knowledge on the other. The first type of knowledge focusses on the awareness and knowledge of cultural differences (including self-reflection about the own “mental makeup”), providing frameworks to analyze and understand different cultures, including general knowledge about the complexity of the international business world. The second type lays its focus upon specific

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<sup>215</sup> See Keup (2010), pp. 18-20.

<sup>216</sup> See Maznevski and Peterson in Granrose and Oskamp (1997), p. 62.

characteristics of a particular culture, including information about its local geography, economy, politics, customs, regulations, etc. It also includes learning and communicating effectively in the culture's language. The knowledge dimension can further be divided into *factual* knowledge (including the country's history, political, economic systems, institutions, and social structure), *conceptual* knowledge (understanding cultural value systems and how values are reflected in people's behavior), and *attributional* knowledge (the elevated awareness of one's behavior and its appropriateness in a given culture and the ability to correctly ascribe individual behavior in the target culture by basing oneself on acquired factual and conceptual knowledge). Factual and conceptual types of knowledge are explicit why they can be easily transmitted and are readily assessed, whereas attributional knowledge is tacit, informal, personal, and thus more difficult to convey. Its transmission can be facilitated by socialization through frequent exposure to various cultural environments and situational contexts. The *skills* dimension represents the behavioral component. It includes *abilities*, that is a set of specific skills acquired over time (such as foreign language competence, adaptability to different cultural norms, etc.), and *aptitudes*, i.e. the capacity to acquire additional abilities. Lastly, the *personal attributes* dimension describes personality traits that are antecedents to CC and which can either promote or impede its development. Those that enhance CC include ambition, curiosity, integrity, judgment, perseverance, self-efficacy, tolerance for ambiguity, etc. Personal traits can be classified as "stable cross-cultural competencies" and are hence difficult to acquire for those who lack them.<sup>217</sup>

The *Four Factor Model of Cultural Intelligence* describes CQ as being composed of four qualitatively different but intertwined capabilities that are all essential for veritable leadership effectiveness. The four dimensions are *Motivational CQ*, *Cognitive CQ*, *Metacognitive CQ*, and *Behavioral CQ*. The *motivational* factor includes intrinsic as well as extrinsic motivation and self-efficacy, referring to the leader's interest, confidence and drive to adapt to cross-cultural work settings. The *cognitive* factor incorporates the *knowledge* dimension of CQ and refers to the understanding of cross-cultural issues and differences resulting from cultural systems and the cultural norms and values associated with different societies. The *metacognitive* dimension depicts the strategic factor, relating to a leader's ability to make sense of culturally diverse experiences, linking incidents in cross-cultural situations to his own cultural knowledge by means of reflection, interpretation, judgment, evaluation and strategic planning. Lastly, the *behavioral* component is the *action* dimension of CQ and refers to the

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<sup>217</sup> See Johnson, Lenartowicz, and Apud (2006), pp. 530-533.

dexterity to change verbal and non-verbal actions appropriately in a range of cross-cultural situations.<sup>218</sup>

The *Global Leadership Competency (GLC)* model provides a developmental path of global leadership concerning the stages of competency factors, ranging from a deficiency stage to an ideal high competence level of CQ. It delineates the following hierarchy in which every competence stage builds on the other (starting from a low level of CQ, or none at all, to the highest level): ignorance, awareness, understanding, appreciation, acceptance, internalization, and ultimately, adaptation.<sup>219</sup>

The *Pyramid Model of Global Leadership* assumes certain threshold attributes regarding knowledge and traits that global leaders need as a base for higher-level competencies (similar reasoning to that of the GLC model). The pyramid model consists of five building blocks that can be seen as cumulative competencies progressing from bottom to top. The foundation is comprised of *global knowledge*, on which certain *threshold traits* (integrity, humility, inquisitiveness, and resilience) build. Since those are rather stable personality traits one cannot really develop them if one does not possess them, why they can be regarded as selection criteria from which the “true” or “great” leaders emerge. The third pyramid block consists of the *global mindset* – attitudes and orientations that influence the leader’s perception and interpretation of cross-cultural contexts and thus represent a crucial concept with respect to global leadership. Since the first three levels of knowledge, personality traits, and attitudes need to be translated into action in order to become beneficial, level four and five comprise the skills dimension that enables leaders to put their competencies into practice. The *interpersonal skills*, that build on the global mindset, include the ability to work and lead in multicultural teams, to create trust, and to considerately communicate. The meta-skills dimension refers to *system skills*, intended to influence people and systems inside and outside of the organization, that describe intercultural expertise and adaptability to cultural differences as well as the ability to create a leverage effect of those differences for competitive advantage. Specific associated leadership skills include building community, influencing stakeholders, and making ethical decisions.<sup>220</sup>

Illustrations of the models that feature their key statements can be found in the appendix.

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<sup>218</sup> See Van Dyne, Ang, and Livermore (2010), pp. 45-49.

<sup>219</sup> See Chin and Gaynier (2006).

<sup>220</sup> See Osland, Taylor, and Mendenhall in Bhagat and Steers (2009), pp. 258-259.

## 5.2 Training and Assessment Methods for Global Leaders

*"Perhaps the biggest challenge that looms in the new millennium for human resource managers is the need to devise programs that will inculcate a global mindset in their people."*<sup>221</sup>

This introductory section will shed light on the operations of MNCs that concern expatriate venture, i.e. moving away from one's original country of residence to the country of the international work assignment. Notably, expatriate *failure* makes up quite a large share across industries. In order to give an impression: Failure rates range from 16-70 percent (depending on the host country) and, for instance, costs for expatriate failure aggregate to over \$2 billion a year for US multinationals (only regarding the explicit, monetary costs). One speaks of *expatriate failure* when the expatriate fails to meet the MNC's expectations and instead returns home before his international assignment is over. Against the backdrop of such a high failure rate of expatriates, one has to assess the main reasons for it. Those can include personal reasons (lack of adaptability, lack of technical skills or motivation to perform the assignment) or organizational reasons (lack of preparation or assignment of a very difficult task). Also family reasons play a major role, e.g. if members of the expatriate's family fail to adapt, or feel left alone in the new culture, especially if they are not integrated into the organization's society. Perhaps the main contributor towards expatriate failure can be ascribed to the phenomenon of culture shock.<sup>222</sup>

*Culture shock* (also *transition shock* or *experience of foreignness*) describes the stress or anxiety caused by living in a new and foreign culture. Experiencing culture shock can be regarded as a gradual process that consists of a dynamic and repetitive cycle of both positively and negatively perceived phases until the individual finally manages to "break through" culture shock.<sup>223</sup> The four main phases of culture shock include

1. *honeymoon* – excitement, euphoria, anticipation, eagerness (everything/everyone is new and exciting),
2. *frustration* – anxiety, rejection, withdrawal (this is the *actual* culture shock, during which the individual begins to find things different, strange, and frustrating as he experiences the culture somewhat more closely),
3. *adjustment* (feeling less isolated, the individual understands and accepts the behavior of the people surrounding him as he becomes more familiar and comfortable with the culture, establishing friendships and communities of support), and

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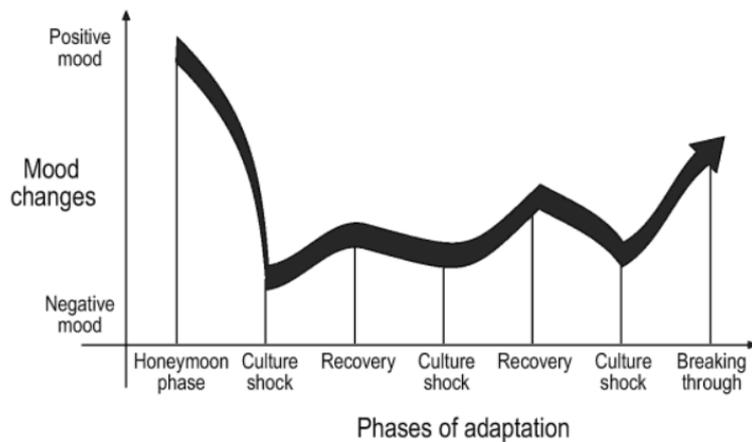
<sup>221</sup> See Oddou, Mendenhall, and Ritchie (2000), p. 159.

<sup>222</sup> See Cullen and Parboteeah (2010), pp. 411-412.

<sup>223</sup> See Marx (2001), p. 10.

4. *adaptation* – acceptance, mastery, enthusiasm (one enjoys being part of the new culture, starting to function and thrive in the new surroundings, certain cultural traits of the new culture are preferred and certain new behaviors adopted as one is now able to compare both up- and downsides of one`s host to one`s home country, the host country feels like a second home, satisfaction is derived from the ability to live successfully in two or more cultures).<sup>224</sup>

**Figure 5.2.1: The Phases of Culture Shock<sup>225</sup>**



Given the problematic experiences MNCs continue to make with dispatching their executives or employees to foreign countries, the question arises how to guarantee expatriate success – it becomes evident that in the first instance, human resource management has to ensure an effective selection and recruitment process to find the most qualified candidate for the position in the host country. Especially the previous subchapter on cross-cultural competencies has highlighted the utmost importance of finding a personality who unites the necessary knowledge, technical skills, personality traits and cross-cultural capabilities – the latter referring above all to emotional and cultural intelligence as well as adaptability. Besides the critical process of recruitment, training methods may also display a huge contributor to success. These should take place in form of a pre-departure training being continued in the host country as part of on-the-job training (and possibly also from locals or other mentors outside the MNC). Moreover, another training session before the expatriate`s return to his home country could be adequate to counteract potential repatriation difficulties.<sup>226</sup> The latter can be defined as the counterpart to culture shock. The so-called *reverse* or *reentry* culture

<sup>224</sup> Compilation of several sources, c.f., e.g. Kwintessential (2014) / Santoro Bellini / Macumber (2014).

<sup>225</sup> Illustration taken from Marx (2001), p. 10.

<sup>226</sup> See Cullen and Parboteeah (2010), pp. 412-414.

shock may be experienced by returning expatriates during the process of repatriation, facing significant challenges of reintegrating into their domestic environment (reconnecting with their old job, friends, etc.)<sup>227,228</sup> Michael Paige phrases the adaptation problems expatriates face during their international assignment and their repatriation, respectively, the following way: "Culture shock is the expected confrontation with the unfamiliar. Reentry shock is the unexpected confrontation with the familiar."<sup>229</sup>

Reviewing literature, one comes across a myriad of cross-cultural training methods. The following table intends to provide a brief overview over the most common types of cultural training programs.

**Table 5.2.1: Cross-Cultural Training Methods<sup>230,231</sup>**

<i>Classification of Training Methods</i>			
<b>Didactic</b> expositional / information-oriented		<b>Experiential</b>	
<b>Culture-general</b>	<b>Culture-specific</b>	<b>Culture-general</b>	<b>Culture-specific</b>
Information seminars on culture		Simulations	
	Information seminars on country		Role plays
	Language training		Field experiments
<i>Cultural General Assimilator</i>	<i>Cultural Specific Assimilator</i>		
Cultural (Self) Awareness Training			

<sup>227</sup> See Cullen and Parboteeah (2010), p. 414.

<sup>228</sup> For advice to alleviate employees' repatriation, see e.g. Coppergate International (2009).

<sup>229</sup> See *Michael Paige* (British-based recruitment business) as cited in Gibson (2000), p. 26.

<sup>230</sup> Own illustration. Information collected from Puck (2009), pp. 79-98, and Cullen and Parboteeah (2010), pp. 202-203.

<sup>231</sup> For an explanation of the individual training methods as well as their respective advantages and disadvantages, see Puck (2009), pp. 81-93.

	Area Studies Training		
E-Training			
Intercultural exercises			
<i>Applicability / Efficiency</i>			
<i>Didactic trainings</i>		<i>Experiential trainings</i>	
<ul style="list-style-type: none"> <li>✓ informative, easily accessible and transferable, inexpensive</li> <li>✗ pure factual knowledge, no emotional aspects conveyed (but which are crucial to effectively master intercultural contacts and communication)</li> </ul>		<ul style="list-style-type: none"> <li>✓ promotion of intercultural action competence, emphasis on affective learning aptitude and resultant behavior (thus enabling to take action)</li> <li>✗ affective components harder to convey, requirements for participants more complex</li> </ul>	
<i>Context</i> (physical and mental proximity of training to daily business of work team)			
<b>Off-Context</b>		<b>In-Context</b>	
<ul style="list-style-type: none"> <li>➔ individuals are trained out of their organizational context (team) with regard to their individual capabilities for team work</li> <li>✓ more lighthearted reaction of participants to training situations, more learning on an individual level</li> <li>✗ questionable transferability onto organizational context ("fade-out" effect)</li> <li>↪ advisable for preparation of individual team members <i>before</i> the formation of a team</li> </ul>		<ul style="list-style-type: none"> <li>➔ focus on the team as a whole; training process involves the entire team which ought to organizationally work together or whose members are already working together</li> <li>✓ direct transferability on daily business</li> <li>↪ meaningful for improvement of collaboration in <i>existing</i> teams</li> </ul>	

*Didactically* coined trainings incorporate information transfer about cultures in order to sensitize trainees to intercultural problems, making them aware of the relevance of cultural differences and similarities to situational contexts and specific behavioral patterns. The training`s content is usually served in the form of "pre-built" problems as per conventional teaching and learning approaches. *Experientially* based trainings, on the other hand, involve a stronger activation of the participants who are at the center of attention of intercultural preparations, truly experiencing the training situations. Culturally induced misunderstandings or language barriers are palpable and trainees personally sense associated difficulties and disappointments as well as achievements and enjoyment. This type of training demands an open-minded attitude of the participants towards interactive learning methods and a certain amount of abstraction ability to transfer their experiences onto cultural real-life situations. For this purpose subsequent reflection and reappraisal of the experiences have to be encouraged.<sup>232</sup>

This contrasting juxtaposition shows that the two diverging training concepts shall not be considered as contrary to each other but rather as complementary or building on one another, wherefore they should be jointly applied. As trainees simultaneously experience training both on the cognitive and affective level, the respective disadvantages of the two concepts (as listed in the table above) will be nullified to the greatest possible extent.<sup>233</sup>

Concluding, it can be said that the context and purpose of the training always needs to be taken into account when assessing which training method will best fit the respective education requirements.

Referring back to the case of an expatriate, obviously more complex international assignments require more rigorous training (e.g. field experiments display a high-rigor program as opposed to simulations that are of lower rigor, requiring only minimal effort and mental involvement). However, the combination of both simulations and field trips has been shown to enhance learning. As mentioned before, trainings should be provided both before and after the sojourn to maximize learning and adaptation and to facilitate the reintegration process into the home culture. Furthermore, it is vital to complete the training program with an appropriate evaluation that uses various measurements to determine factors of both success and failure. HRM departments should ascertain that the coached methods are applied to the actual work setting. Participants should be surveyed to assess their levels of satisfaction and

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<sup>232</sup> See Puck (2009), pp. 94-95.

<sup>233</sup> Ibid.

performance, respectively, and to determine whether potential increased levels can actually be ascribed to the impact of the training program and its utilized methods.<sup>234</sup>

Generally one can say that a cross-cultural program that combines didactic and experiential as well as culture-general and culture-specific elements generates the maximum possible learning effect. Moreover, it appears sensible to employ didactic elements at a time prior to experiential ones in order to facilitate the categorization of perceptions into cognitive schemes since these will have been worked out beforehand. Especially with respect to time limitations it is advisable to perform the culture-specific part of the training only in the course of an experiential training to allow specific cultural differences to be experienced rather than learned. An analysis of the individual methods reveals that experiential role plays and didactic seminar elements are particularly suitable for application in multicultural work groups.<sup>235</sup> These training methods represent one possibility to alleviate negative impacts of diversity in teams.<sup>236</sup>

The following brief excursus into concrete examples will merely produce a list of cross-cultural learning tools or models that can be found in the attached appendix for closer consideration:

The *Assessment Tool* designed by Van Dyne and colleagues incorporates the components of cultural intelligence as defined by the *Four Factor Model of CQ* (cf. Figure 2 in the Appendix) and calls on the user to reflect on his own CQ.<sup>237</sup>

The *Experiential learning theory (ELT)* likewise relies on the Four Factor Model. According to ELT, CQ capabilities enable global leaders to learn from their experiences, whereas mere exposure to cultural diversity through international assignments and the like does not necessarily enhance experiential learning. Instead leaders must make use of all four CQ stages (as described in the *Four Factor Model*, cf. Chapter 5.1) in their experiential learning process, combining *concrete experiences* (motivational and behavioral CQ) with *reflective observation* (cognitive and meta-cognitive CQ), *abstract conceptualization* (cognitive and meta-cognitive CQ), and *active experimentation* (cognitive, meta-cognitive, motivational, and behavioral CQ). Implications are thus that individuals who possess high levels of CQ will gain more from exposure to culturally diverse contexts.<sup>238</sup>

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<sup>234</sup> See Cullen and Parboteeah (2010), p. 204.

<sup>235</sup> See Puck (2009), pp. 96-98.

<sup>236</sup> Ibid., p. 15.

<sup>237</sup> See Figure 5 in the Appendix. Cf. also Van Dyne, Ang, and Livermore (2010), pp. 50-51.

<sup>238</sup> See Figure 6 in the Appendix. Cf. also Ng, Van Dyne, and Ang (2009), pp. 225-250.

The diagram developed by Clackworthy in *A Road Map to Cultural Competency* displays the phases of cultural learning which incorporate experience, reflection, and training processes and which need to be passed in an intercultural environment to develop into a real leader.<sup>239</sup>

Another model of cultural learning that was framed by Hoecklin presents a decision-tree process that helps assess which of the societies involved in the cross-cultural cooperation will learn from the other regarding procedures along the value chain and to what extent.<sup>240</sup>

The last example of the excursus comprises the *Eight Poles Assessment* constructed by Middleton that provides a tool to evaluate one`s own CQ by asking other leaders – who are different from oneself in certain dimensions (represented by the different *poles*) – likewise to complete a questionnaire that includes exercises for self-assessment as well as foreign assessment of the other leaders who are poles apart from oneself.<sup>241</sup>

All these explications about the various training programs for developing global leaders demonstrate the pressing demand for the enhancement of global leadership competencies. However, despite the prevalence of those programs among MNCs, experts generally agree that these do not present a truly effective source of fostering cultural intelligence. Instead, practical work experience through, inter alia, international assignments is by far the most effective source for promoting global competencies.<sup>242</sup>

The shortcoming of typical cross-cultural training programs or literature on that subject is their almost exclusive focus on cultural differences, such as differences in communication style (e.g. the Japanese being less direct than the Germans), differences in values (e.g. Americans pursuing more individualistic values than the Chinese), or differences in business etiquette. Of course, knowing about cultural differences is necessary, but not sufficient to effectively master intercultural encounters. The real challenge usually consists in the actual adaptation and adjustment processes of one`s behavior when interacting with different cultures. While it is for instance facile to learn about differences in American and German

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<sup>239</sup> See Figure 7 in the Appendix. Cf. also Clackworthy (1994), pp. 11-15.

<sup>240</sup> See Figure 8 in the Appendix. Cf. also Hoecklin (1994), p. 81.

<sup>241</sup> See Figure 9 in the Appendix. Cf. also Middleton (2014).

<sup>242</sup> See Javidan et al. (2006), p. 86.

communication styles (Germans tend to communicate more frankly and bluntly), it is most likely much more difficult to de facto *adapt* one`s own behavior. In this exemplary case an American could feel extremely uncomfortable trying to adjust to the German communication style by either reacting to or delivering very straightforward feedback because he would thereby act against his natural style.<sup>243</sup>

Key for real and sustainable cross-cultural training effects is to make the lessons on paper come alive by putting aside the manual and designing a training program that is integrated in real life scenarios. Only through practice in the actual work setting will there be true progress – cross-cultural skills will be honed and strengthened.

After all, cultural intelligence comprises an extensive repertoire, including behavior, traits, attitudes, skills, and a global mindset, in addition to pure knowledge. While information may be provided about different cultural norms and customs, or methods taught how to cope with those cultural differences, quite swiftly in the course of a seminar, the *actual* understanding and competency with respect to cultural contexts will evolve only over time through intensive experience and practice.

Nevertheless, these training programs, when designed and conducted smartly, can be a useful tool to help understand and interpret intercultural experience and thus to contribute towards the development of CQ.

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<sup>243</sup> See Molinsky (2015).

## 6 First Implications and Concepts of Solution for Global Leadership Effectiveness

The essential objective of real and sustainable global leadership effectiveness can be subsumed under two practical approaches by adopting the reasonable algorithm of *cost minimization* and *profit maximization*: The aim consists in *minimizing* "efficiency gaps" due to cultural differences, while at the same time *maximizing* potential synergetic effects that emerge from cultural diversity. This strategy does not only entail separate but also interdependent effects. Not only will possible efficiency losses be reduced or likewise synergies exploited, but also will certain threats embody the potential to be transformed into opportunities when approached the right way. One intuitive example could consist in minimizing threats associated with heterogeneity in multicultural work teams, such as disagreement over the effectiveness of certain procedures. However, since this type of threat holds potential opportunities, one could (and should) *moreover* make use of exactly these diverging ideas to generate even more effective procedures by "cherry-picking"<sup>244</sup> the best aspects of all approaches. Hence, combining those methods, that will not cancel each other out but will produce mutually reinforcing effects, will create synergies. These synergetic effects will result in a greater process outcome compared to the initial one, had solely any one of the different procedures been selected.

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Global leaders should  
make every endeavor  
to turn *Threats*  
into *Opportunities*.



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A prominent problem arising from cultural distance is ethnocentrism. Because it usually appears only subtly and is easier to recognize in patterns displayed by, ironically, other cultures, the approach to avoid ethnocentrism is quite intricate. Ethnocentrism is inherent more or less everywhere. A Western researcher, for instance, will automatically impose his own set of values and beliefs onto his research design, data collection and analysis as well as the dissemination of the research results, often unconsciously by the very act of immersing in cross-cultural research. Hence why ethnocentrism cannot be entirely avoided.

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<sup>244</sup> Note that in this case a positive connotation is assigned to the expression.

Nevertheless, realizing that there does exist some sort of unconscious bias is a vital first step to minimize impediments regarding prosperous intercultural interaction. Possible solutions to avoid ethnocentric fallacies concerning research might be to culturally “decenter” data collection methods or to reanalyze ethnocentrically gathered data. Furthermore, research teams should be composed of bi- or multicultural researchers, besides monocultural researchers from different cultures, since they will likely not be as influenced by ethnocentricity as the latter.<sup>245</sup>

Another main issue connected with cultural differences is represented by prejudice. Here again, knowing that prejudices prevail is crucial for its reduction. One can generally distinguish between three broader models in order to identify the source of prejudice. The *contact* model regards lack of mutual contact as the primary cause of prejudice why improving or strengthening contact between members of different cultural backgrounds presents a suitable approach to diminish prejudicial attitudes. The *information* model assigns the responsibility to a lack of mutual knowledge, thus suggesting providing better quality information. The third model follows a *psychodynamic* approach which finds the roots of prejudice in individual psychological problems. Here the most adequate solution consists in trying to mitigate the individual`s difficulties and thereby his prejudices.<sup>246</sup>

Concerning the importance placed on team design due to the need to align a team`s composition with organizational goals and resources, it becomes especially crucial in multi-*cultural* teams to find the right balance between inclusion and diversity in order to create a well-balanced entity, ensuring coherence despite differing cultural influences. A working definition of *diversity* reads as follows: Diversity describes the “environmental comparison with respect to differences and similarities regarding characteristics, that determine or are determined by phase of life, work life, and sociocultural aspects, that have a profound impact on self- and external perception and that ultimately represent the personality of an individual”.<sup>247</sup> Relating to this, the working definition of *Diversity Management* delineates the latter as “a concept that aims at harmonizing or reconciling differences and similarities among employees in various departments. It refers furthermore to the principle that diversity is of explicit economic relevance.”<sup>248</sup>

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<sup>245</sup> See Hofstede (2001), pp. 17-19.

<sup>246</sup> See Berry et al. (2002), pp. 373-374.

<sup>247</sup> See Elmerich (2006), p. 14.

<sup>248</sup> Ibid., p. 16.

In a nutshell, cultural diversity leads to an expansion of the spectrum of perspectives and reduces the risk of excessive groupthink<sup>249</sup>, from which an improvement of team performance can result.

On the other hand, cultural diversity is the cause for tension, conflicts, communication difficulties, lack of cohesion and a common basis to relate to as well as an increased burden for the team members, which can, in turn, lead to losses in the productivity of the team.

In order to mitigate this conflict of objectives one has to find the right balance between overly heterogeneous and overly homogenous work teams. The benefits of both homogeneous and heterogeneous teams are contrasted in the table on the subsequent page (cf. Table 6.1).

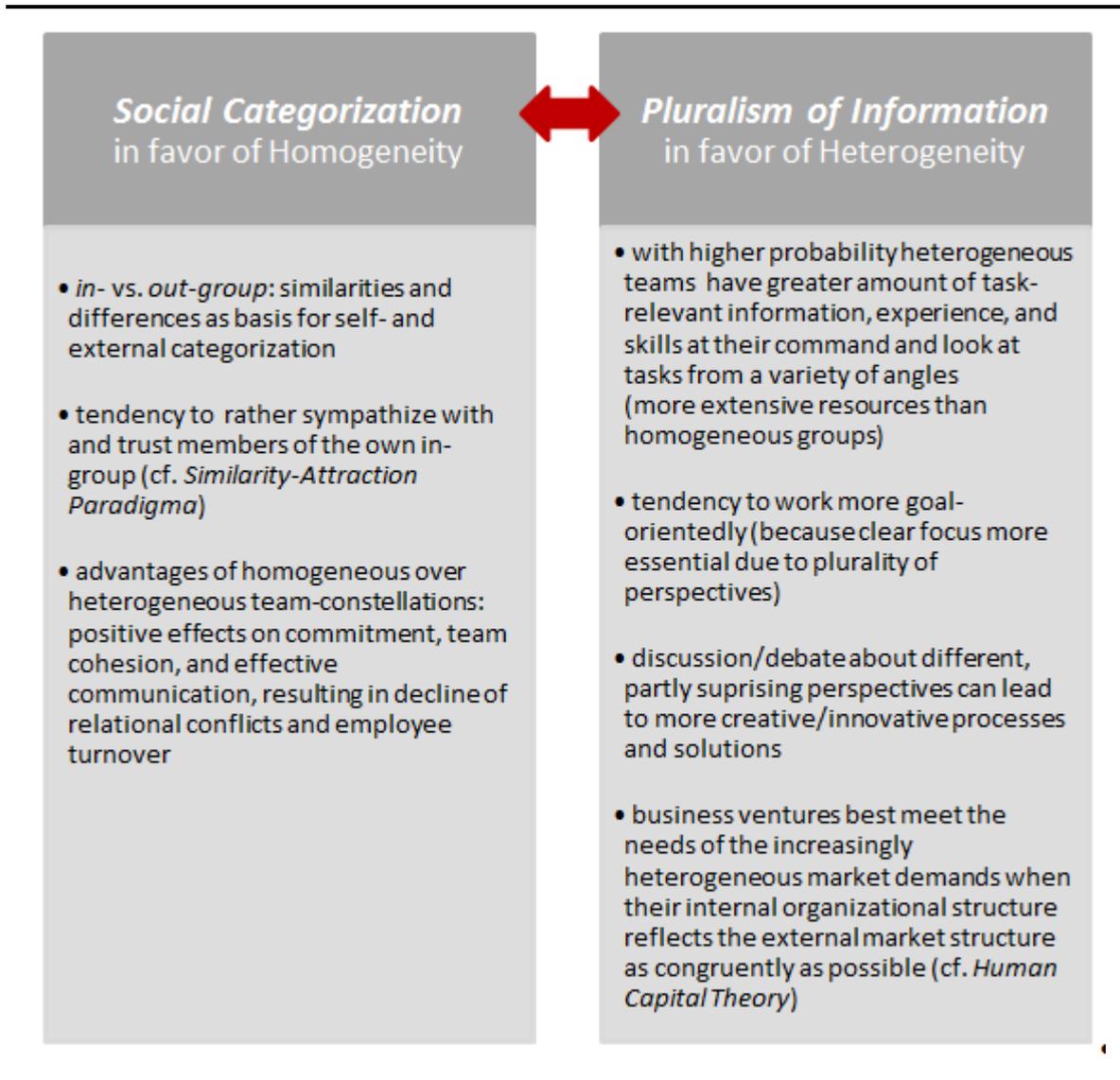
Another important factor to consider is the size of the team. Here, too, a classical trade-off situation arises during the assessment of the right team size as both advantages and disadvantages increase with the number of team members. While a greater number of members implies a larger availability of resources and thus more means for higher team performance and goal achievement, the amount of conflicts decreasing cohesion and efficient productivity increases likewise. To make sure that teams are neither too large nor small, leaders must evaluate how harmoniously and effectively team members work together and whether all members efficiently perform their tasks.<sup>250</sup>

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<sup>249</sup> Cf., e.g. Jedrzejczyk (2007), p. 46, for a detailed explanation of the *groupthink* approach, which is defined as a mode of thinking people engage in when deeply involved in a cohesive in-group.

<sup>250</sup> Cf., e.g., Jedrzejczyk (2007), pp. 3, 48 / Plowman (2015).

**Table 6.1: Two Divergent Academic Perspectives on the Implications of Multiculturalism in Teams<sup>251</sup>**



With specific regard to multicultural work teams, the main challenge consists in gaining advantage of the special features of heterogeneity while at the same time keeping its disadvantages to the lowest practicable level.

Generally speaking, companies should embrace diversity, incorporating different cultures into their corporate structure and strategy. In doing so, the differences have to be understood and, more importantly, accepted. Everyone should be treated respectfully. Particularly the leading personnel should undertake anything feasible to gain mutual understanding and trust (being aware that different cultures display different levels of trust; cf. Chapter 4.3) – only then can a healthy and prosperous collaboration develop and consolidate.

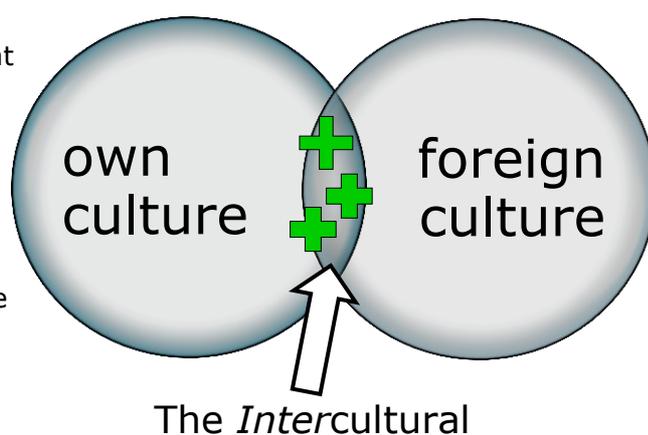
<sup>251</sup> Own illustration. Content adapted from Puck (2009), pp. 11-13.

The leaders` primary purpose should be to unify all team members by one clearly communicated and easy to grasp strategic vision. After all, no matter how divergent the individual facets of the organizational constellation, if people pursue a common goal, they will contribute their skills and knowledge purposefully and efficiently regarding its achievement. Hence, the values and beliefs that matter most are those that concern the "story" of the organization, including its purpose and its strategic orientation by which means it pursues its objectives. As already discussed previously, if a strong corporate culture is created, a likewise strong "sense of belonging" among its members is established because they can all identify with it – regardless of their differences in origin and national culture.

Nevertheless, beliefs and attitudes of its individual members are still deeply affected by their cultural backgrounds even if they do not necessarily have to appear in work-related practices (cf. Chapter 4.1.: distinction between organizational practices and national values). Regarding the implications this can have on team collaboration, it can be assumed that *exactly* because of that versatile pool of viewpoints the team will be able to excel in performance by utilizing their positive effects of cultural diversity (cf. Chapter 2.3), provided that it can ensure that the negative effects of the same (cf. Chapter 2.2) are prevented or reduced as far as possible. This will result in potentially higher achievements compared to homogeneous, monocultural work teams. Albeit, as a consequence thereof, greater failure is equally possible if the negative effects of cultural differences outweigh the positive ones thereof.

**Figure 6.1: Cultural "Overlapping"<sup>252</sup>**

During the encounter of different cultures those cultures overlap at some part and in the ideal case "the intercultural" is created, which means that synergetic effects can be gained from the cultural intersection.<sup>253</sup>



<sup>252</sup> Own illustration adapted from Keup (2010), p. 29. Note that this graphic shows the *ideal* case of cultural encounters – if the *intercultural* (according to Thomas et al.) was not created, the intersection of the cultural circles would contain "minus signs" instead (portraying impediments due to cultural distance).

<sup>253</sup> See Thomas, Kinast, and Schroll-Machl (2003), p. 46.

In order to ensure that the positive effects of cultural diversity prevail, all parties involved have to acquire intercultural skills. Intercultural competence gained through (emotional and) cultural intelligence will in fact represent a competitive advantage. However, these cross-cultural skills related to CQ will only be effectively developed and trained through continuing practice in real life situations. Hence why closing the gap between “knowing” and “doing” by combining cross-cultural training programs (including the obtainment of both cross-cultural and own awareness) with practical experience will prove most successful. Those CQ models (as described in the previous chapter) already integrate both theory *and* practice which is why they represent valuable tools for reaching global leadership effectiveness.

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Cross-cultural  
training requires  
“triple P”.

**P**atience  
**P**ractice  
**P**erseverance

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Condensing the consequences, that multiculturalism in the workplace entails, leads to the following concrete implications for global leadership: A culturally intelligent leader has to take into account the cultural norms and practices of *all* cultures represented in his team. In a next step he has to compute the total amount of cultural diversity as well as the respective cultural distances among individual group members in order to realize where “gaps” have to be closed and where his intermediation is needed to help lift the whole team up on the same wavelength.

Which specific leadership style will be most effective when managing people always has to be assessed against the background of the respective cultural context. For instance, considering the rough division into *authoritarian* or *cooperative* leadership styles, it is noteworthy that the concept of an authoritative leadership style does not have a negative connotation in hierarchical cultures. In these cultures, many subordinates even favor such a style as their superior has to take all the responsibility. This also provides an explanation for why in strongly hierarchical cultures there is little willingness on behalf of the employees on lower positions to take on responsibility.

Transferring this finding to more general assertions again, every time contrary perceptions meet, misunderstandings and difficulties have to be expected. Harmonization between those differing views is a demanding task which requires intuition and tact. If a leader comes from a cultural backdrop that normally exerts a cooperative leadership style, but now has to lead in a cultural environment that emphasizes hierarchy, he has to find the right mix between his and their practices; in this case between delegation and control.<sup>254</sup>

The gained insights and lessons learned so far are neatly compiled by the following illustrations:

**Table 6.2: Maximizing Synergetic Effects while Minimizing Efficiency Gaps resulting from Cultural Differences<sup>255</sup>**

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	<ul style="list-style-type: none"> <li>+ creativity</li> <li>+ innovation</li> <li>+ combining the best of "both worlds"</li> <li>+ rich repertoire</li> <li>+ greater flexibility / adjustability</li> <li>+ ...</li> </ul>		<ul style="list-style-type: none"> <li>- misunderstandings</li> <li>- discriminations</li> <li>- disagreements about tasks and team processes</li> <li>- ambiguities</li> <li>- interpersonal incompatibilities</li> <li>- ...</li> </ul>
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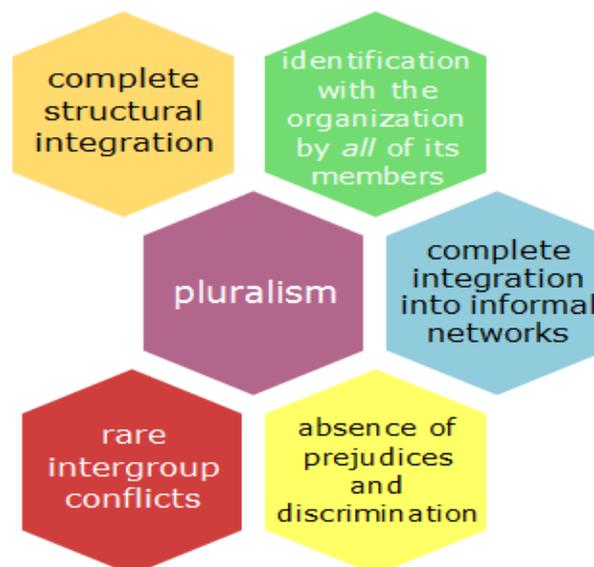
<sup>254</sup> See Keup (2010), pp. 127-134.

<sup>255</sup> Own illustration.

**Figure 6.2: The Most Important Features of a Successful Team**<sup>256</sup>



**Figure 6.3: Characteristics of the *Ideal* Multicultural Organization**<sup>257</sup>



<sup>256</sup> Own illustration. Content taken from Yeow (2014) with reference to *HBR Guide to Managing Up and Across* by Harvard Business Review (2013).

<sup>257</sup> Own illustration. Content taken from Elmerich (2007), p. 101.

## **7 Theoretical, Empirical and Normative Analysis of the Impact of Culture combined with a Leader`s Cultural Competences on the Success of Multicultural Teams**

The overall purpose of this analysis is to develop some practical guidelines on the basis of the questionnaire evaluation completed by financial executives in order to equip cross-cultural leaders with advice on how to close efficiency gaps and make use of synergies.

### **7.1 Research Setup**

The research of this paper will be realized in the form of an interview conducted on the basis of a priorly created catalogue of questions. The original questionnaire survey can be found in the appendix.

A qualitative research interview can be described as "an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena".<sup>258</sup> Interviews represent a useful procedure to examine issues in depth.

The research method presented in this paper combines the advantages of an interview method using qualitative, rather open questioning with those of fixed questions ensuring a structured course of the interview. Thereby, disadvantages, that arise when either of the methods is utilized separately, can be avoided as one complements the other. For instance, by the application of a prepared protocol of interview questions, of which several are structured in multiple-choice or rank-order format, responses can be made at least to some extent comparable across interviewees. Furthermore, costs and consumption of time (representing substantial disadvantages of face-to-face interviews<sup>259</sup>) are held at a minimum. This is because the number of interviewed financial executives will be manageable for one and also because the majority of the surveys will most likely not be realized in person but via telephone and/or by mail (which means that in the latter case the interviewee completes the interview sheet in written form by him-/herself) – due to the extremely busy schedules of top executives, distance in locations, and other factors.

The interview questionnaire utilized for this purpose incorporates both descriptive and normative questions, thus inquiring work-related practices *and* values that prevail in

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<sup>258</sup> See Kvale (1983), p. 174.

<sup>259</sup> For a more detailed explanation of advantages and disadvantages of different interview techniques, see e.g. Opdenakker (2006).

the working environment of the surveyed executive. General questions about the situational context of his or her cross-cultural work group are combined with rank-order questions that are based on the GLOBE studies or other more practically oriented readings in order to take theoretical as well as practical aspects into account.

As regards the acquisition process of financial executives for their participation in the interview, potential interview partners are approached mostly via the social network platform *Xing*. Thanks to the possession of a premium account, this allows for a selective search by means of certain search criteria, such as the specification of profession, position, company, industry, and qualifications.

## **7.2 Results**

The ultimate sample consists of five interview participants, both male and female.<sup>260</sup> Out of over 110 contact requests sent via *Xing*, approximately 20 potential candidates were willing to take the survey in the first instance, eventually resulting in four candidates who actually returned their completed questionnaire in time. One financial executive was "recruited" via a personal contact who recommended a colleague of his as suitable candidate. The financial institutions represented in this sample are all internationally well-known and reputed, all of which are MNBs except for one financial services provider operating as an insurance and asset management company.

The main results of the interviews are presented on the following pages – in order of appearance of the associated questions as composed by the questionnaire.<sup>261</sup>

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<sup>260</sup> Please note that when the masculine form is used when talking about an executive's interview responses in the following, this does not necessarily mean that answers were given by a male participant, but is done for the sake of simplicity as interview results are presented anonymously and gender does not play a primary role in this investigation.

<sup>261</sup> Note that listing all results would present too large a content (despite the small number of participants) as both the scope and the type of questions of the interview are quite extensive.

## Personal Statements about Successful Leadership

The first part of the interview intends to introduce participants to the subject of cross-cultural leadership by asking qualitative, open ended questions. However, this introduction cannot be regarded as a real "warming-up phase" as one has to plunge into the topic right away by critically dealing with the issues that range from taking a more holistic perspective to designating concrete success factors. The following three figures present the main statements made by the interviewees about the premises of outstanding leadership in the international financial environment.

**Figure 7.2.1: What makes an Outstanding Leader?**

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**Figure 7.2.2: "Number One" Key Success Factor for Leading in an International Financial Work Setting**



**Figure 7.2.3: How to Engage and Motivate your Team to Achieve your Goals**

- provide *clear* guidelines, time limits and objectives
- point out the *individual benefits* every single team member derives from the goal attainment process (in terms of learning and experience)
- teach *tolerance of frustration*
- be a role model by *leading by example* (only expect of others what you are willing to contribute yourself)
- match team members to tasks according to their respective strength and weaknesses
- *adjust your leadership behavior* to individuals` respective degree of experience/*development* (coaching people with limited experience, while empowering those with advanced experience)
- provide your team with lots of information and involve people (openness/transparency)
- give feedback (both positive and negative) on a regular basis - when sharing positive feedback, refer to it as "team success"
- provide incentives / appreciation for achievements
- delegate interesting tasks, entrusting team members with as much visibility and responsibility as possible
- display a lot of enthusiasm and positive energy

## Nationalities, Country Clusters, and Team Constellation

This section contains mostly statistics concerning the national culture of executives and their teams as well as the culture of the countries the MNB is represented in. These data provide insight into the framework of the participants` cross-cultural work setting in order to be able to classify their responses against their cultural, social, environmental and situational background.

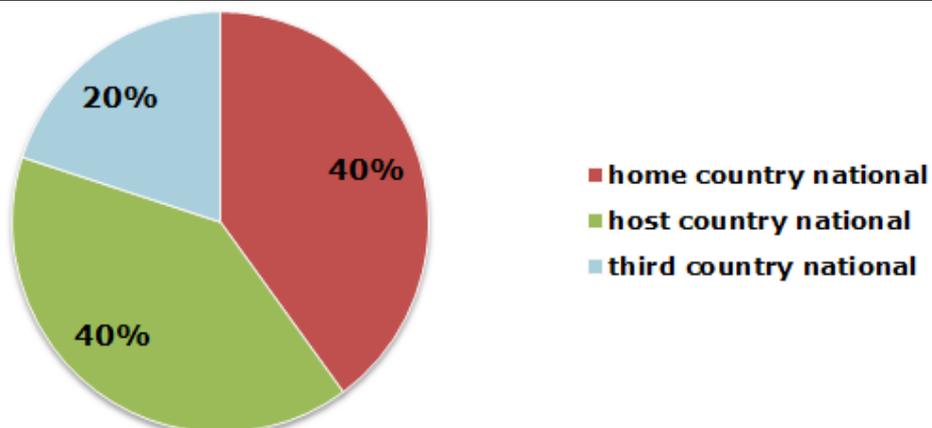
Considering the nationality of the leaders operating in one of the MNB`s host countries, one can distinguish between home country, host country, and third country nationals: A *home country* national is an expatriate coming from the same country of origin as the parent company, whereas a *host country* national is a local employee/executive who is hired in the host country where a subsidiary is located. A *third country* national is an expatriate who comes from neither the home nor the host country of the MNC.

**Figure 7.2.4: Nationalities of Financial Executives**



**Figure 7.2.5: Country of Origin of Leaders**

in relation to their job site in one of their MNC`s host countries



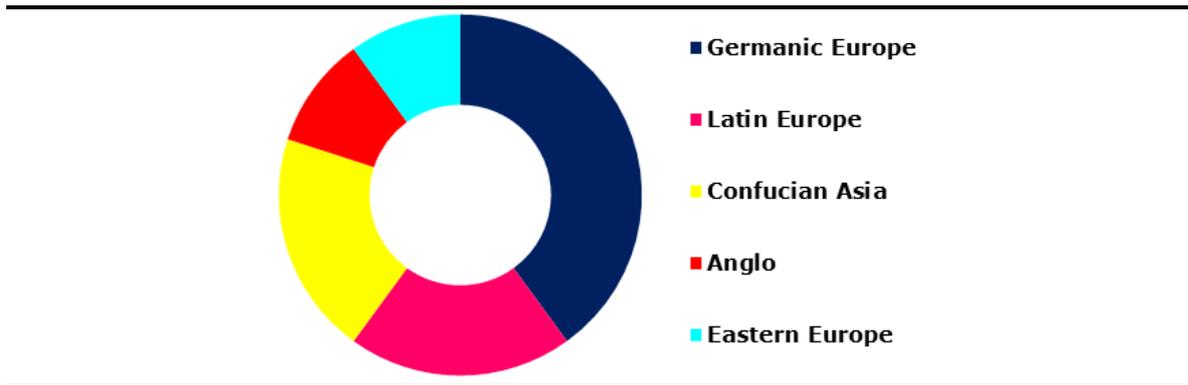
The available sample comprises executives of almost solely German nationality. Of course, this presents quite some limitation for the comparison of leadership behavior across nationalities. On the upside, the fact that the interview participants all come from the same country of origin lays a basis in terms of cultural imprinting, ensuring direct comparability. That is to say, given the same or similar baseline home culture, one can then assess whether nationality really embodies the major influential factor for personal outlooks on effective leadership practices and attributes that shape a successful, strong, and sustained corporate culture. In the course of the presentation of the interview, specific results may be extracted to estimate when and where executives are guided more by cultural practices of their country of origin, of their MNB`s home country (if different from their own) or of the host country`s culture they are working in, respectively. Additional useful information will be provided in the process by taking also into account the context regarding home, host, or third country nationals.

**Table 7.2.1: List of the Financial Executives` Work Locations and Positions**

<b>Country</b>	<b>Position</b>
<b>China</b>	<i>Chief Risk Officer (CRO) / Local Head (Transaction Services)</i>
<b>Colombia</b>	<i>Intern</i>
<b>Czech Republic</b>	<i>Chief Financial Officer (CFO)</i>
<b>Germany</b>	<i>Senior Communications Manager / Head of Insurance Coverage Team (Group Risk)</i>
<b>Hong Kong</b>	<i>Director Export Finance</i>
<b>Italy</b>	<i>CFO</i>
<b>Japan</b>	<i>Interim Risk Manager</i>
<b>UK</b>	<i>Director Export Finance</i>
<b>USA</b>	<i>FX Sales / Intern</i>
<b>Vietnam</b>	<i>Head of Multinationals</i>

At this point of the interview the executives were asked to select a host country of their choice, in which they have gained the most insightful experience while leading a multicultural work team, for which they were going to answer all the applicable questions.

**Figure 7.2.6: Country Clusters represented in Interview Sample<sup>262</sup>**



**Table 7.2.2: Nationalities represented in Interview Sample<sup>263</sup>**

The countries of the 62 GLOBE Societies that are represented in the interview sample (highlighted in color)				
1. Albania	14. <b>Egypt</b>	27. Indonesia	40. New Zealand	53. Sweden
2. Argentina	15. El Salvador	28. Iran	41. Nigeria	54. Switzerland
3. Australia	16. <b>England</b>	29. <b>Ireland</b>	42. Philippines	55. (French)
4. Austria	17. Finland	30. Israel	43. Poland	56. Taiwan
5. Bolivia	18. <b>France</b>	31. <b>Italy</b>	44. Portugal	57. Thailand
6. <b>Brazil</b>	19. Georgia	32. <b>Japan</b>	45. Qatar	58. <b>Turkey</b>
7. Canada	20. <b>Germany</b>	33. Kazakhstan	46. <b>Russia</b>	59. <b>USA</b>
8. <b>China</b>	21. (East / West)	34. Kuwait	47. Singapore	60. Venezuela
9. <b>Colombia</b>	22. Greece	35. Malaysia	48. Slovenia	61. Zambia
10. Costa Rica	23. Guatemala	36. Mexico	49. <b>South Africa</b>	62. Zimbabwe
11. <b>Czech Rep.</b> <sup>264</sup>	24. <b>Hong Kong</b>	37. Morocco	50. (Black / White)	<b>Kenya</b>
12. Denmark	25. Hungary	38. Namibia	51. South Korea	<b>Romania</b>
13. Ecuador	26. <b>India</b>	39. Netherlands	52. Spain	<b>Vietnam</b>

<b>Anglo</b>	<b>Confucian Asia</b>	<b>Eastern Europe</b>
<b>Germanic Europe</b>	<b>Latin America</b>	<b>Latin Europe</b>
<b>Middle East</b>	<b>Southern Asia</b>	<b>Sub-Saharan Africa</b>

(Note that only the *Nordic Europe* cluster, incl. Denmark, Finland, and Sweden, is not represented in this sample.)

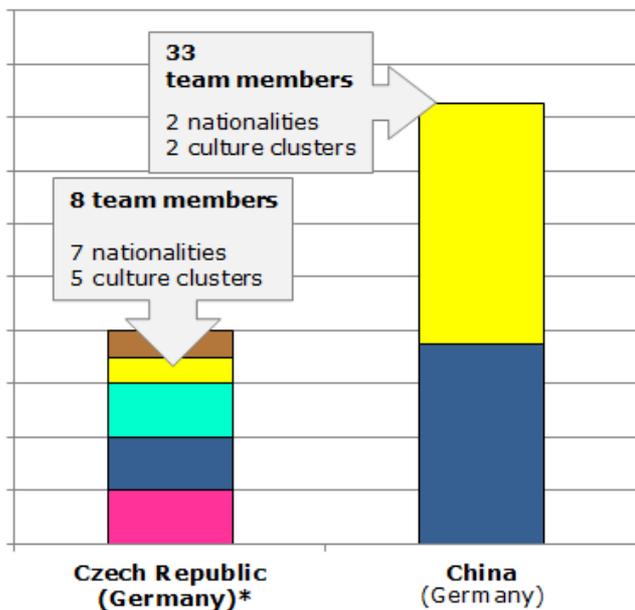
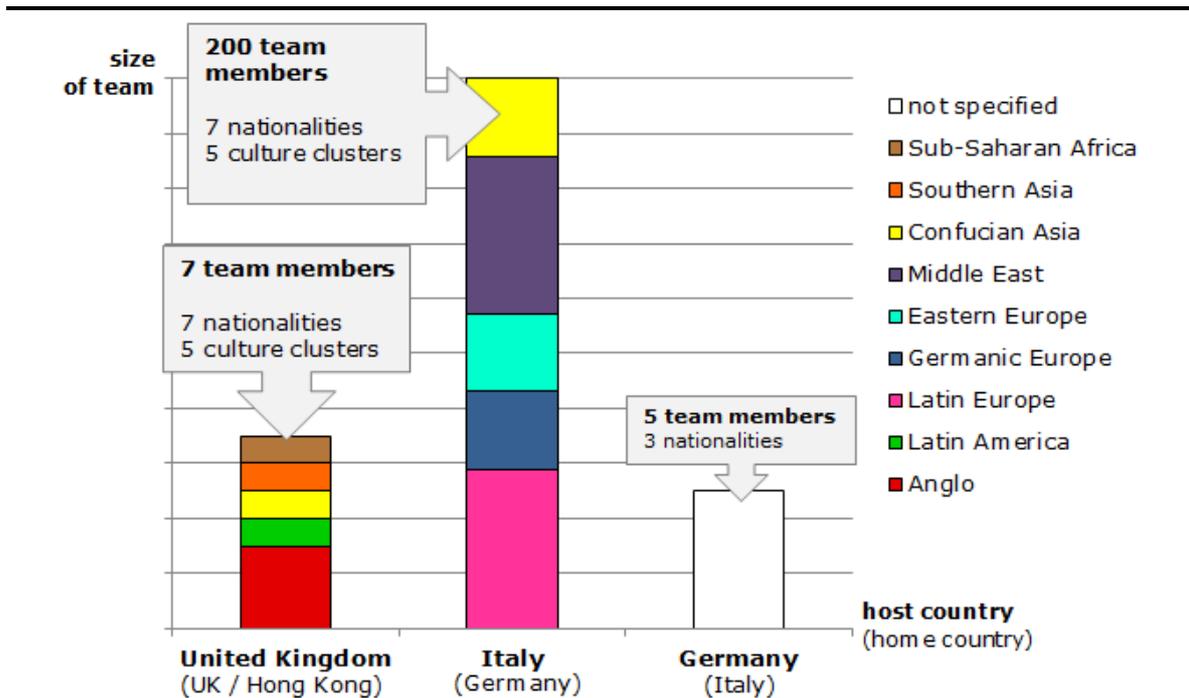
<sup>262</sup> This graphic only displays the home and the host country of choice, for which the interview questions were answered, i.e. there is no consideration of other work places of the executives or individual national cultures represented in the work teams.

<sup>263</sup> Here, also nationalities of individual team members are taken into account. Note that the last countries listed without numbering were not part of the GLOBE study.

<sup>264</sup> Note that even though the *Czech Republic* is part of the GLOBE sample, it has been excluded from the clustering due to its confusing data (almost every cultural and leadership variable takes on an extreme value) in order to avoid misinterpretation of the other aggregated data of the *Eastern European* culture cluster (cf. e.g., Bakacsi et al. (2002), p. 70). That is why for this country there will be no direct comparison between perceived practices by the interviewed executive and those practice scores computed within the GLOBE sample in this present sample either.

**Figure 7.2.7: Cultural Composition of Work Teams<sup>265</sup>**

in one of the MNC`s *host* countries



\* Note that in this case the plotted team constellation describes the cultural composition of the leader`s team in the *home* country of his MNC. This is in so far more interesting as that his work team in his MNC`s host country had been far more homogeneous, inter alia with respect to nationality (it exclusively consisted of about 55 Czech team members with similar expertise).

This diagram reveals how very diverse the team constellations of the surveyed executives are. For instance, it is amazing that a team size of only 7-8 members incorporates (almost) as many different nationalities that even stem from five different country clusters (considering the fact that all countries of the world can be classified into one of a total of ten clusters, quite a large proportion of distinct cultures is already covered by a single multicultural work team).

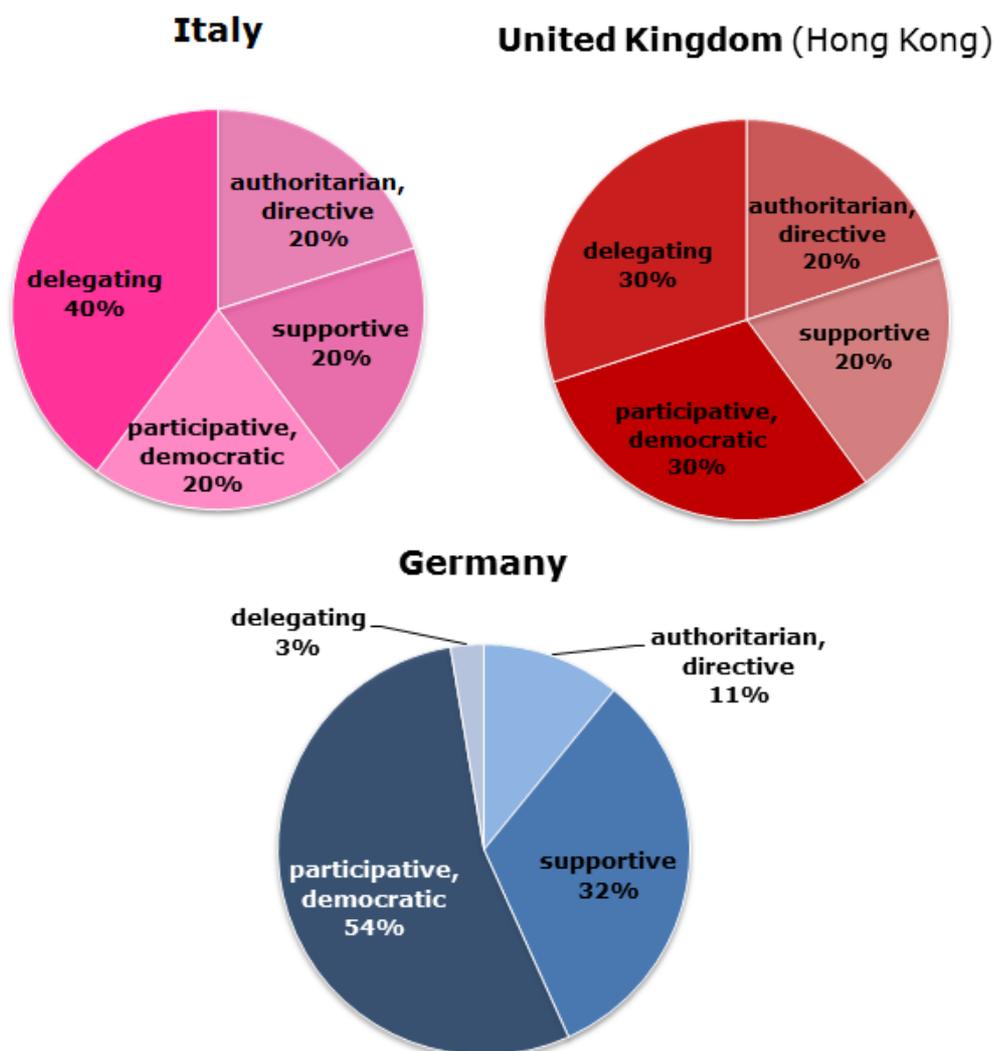
<sup>265</sup> Note that the division of the bar charts may *not* be proportional to the actual representation of nationalities or culture clusters in the team. Also, the scaling with respect to the team size (y-axis) varies.

## Leadership Behavior in Multicultural Teams

Experienced leaders know how to adjust their leadership style depending on the respective circumstances. The following charts show proportions of their practiced leadership styles depending on the country their operating in (also taking into account whether this is the home or a host country of the organization) – thus, especially national culturally contingent circumstances are considered here.

Note that the charts below display just a selection of the interview results. For instance, the second pie chart listed under Figures 7.2.8, which depicts leadership styles practiced in the German headquarter, represents *only one* personal application of the different styles, which means that other executives also operating within an organization of German origin may have stated differing distributions.

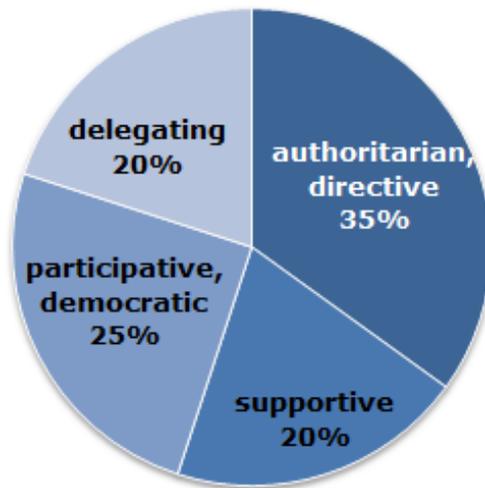
**Figures 7.2.8: Leadership Styles in the MNB`s Home Country**



Figures 7.2.9: Leadership Styles in one of the MNB`s *Host Countries*

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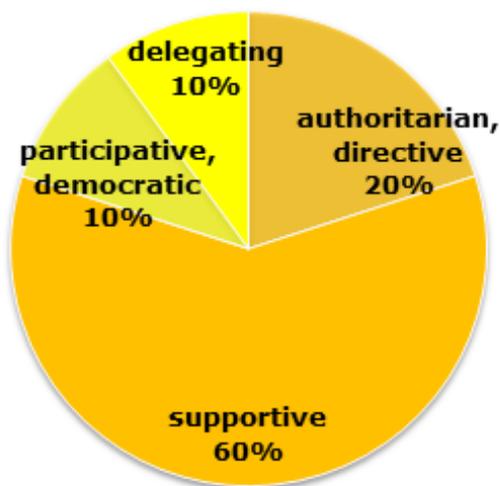
### Germany



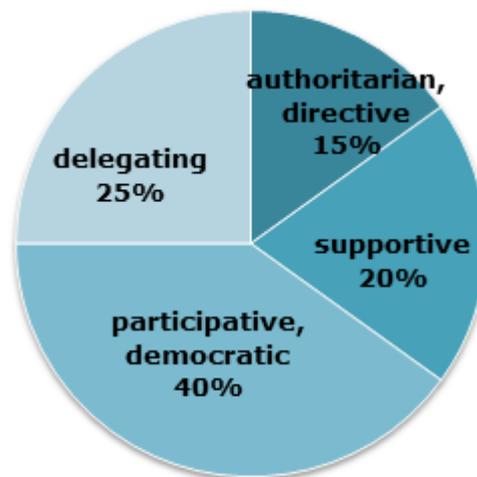
### Italy



### China



### Czech Republic



## **Self-Reflection on own Cultural Practices, Values, Beliefs, and Attitudes**

This part of the questionnaire demands of participants to reflect on their own notions regarding certain situations in daily business or their general lifestyle. For this, they have to indicate in how far they agree or disagree with certain statements. Those can be categorized into five dimensions which are characterized by cultural influencing variables. They have already been discussed in the course of this paper, particularly within the partitions of Chapter 2 presenting different concepts of time, power, and communication.

**Table 7.2.3: Classification of Interview Questions regarding Self-Reflection**

Communication Style	Concept of Time	Power Distance (Hierarchy)	Individualism vs. Collectivism	Task vs. Relationship Orientation
Question 1 Question 3 Question 10	Question 4 Question 8	Question 6 Question 9	Question 5 Question 7	Question 1 Question 2

The actual questions (or statements) can be looked up in the original questionnaire in the appendix. They have been adopted from a manual issued to training participants as a complement to their intercultural training conducted by *Audi Akademie* (2010).

In order to be able to evaluate the interview results, the relative extent of personal agreement with the statements is transferred into score values, whereupon average scores are computed for every single dimension and corresponding rankings are derived. The subsequent tables display the rank order of the dimensions for individual executives, followed by explanations of the different dimensions` shaping ranging from high to low scores.

**Tables 7.2.4: Classification of Self-Reflection Results  
into Cultural Dimensions<sup>266</sup>**

Framework Data of the Executive`s Work Setting		Rank Order of the Dimensions (in descending order of score values)
Nationality:	<i>German</i>	<b>Individualism vs. Collectivism</b>
(MNB)		Communication Style
Home Country:	<i>UK / Hong Kong</i>	Concept of Time / Power Distance
Host Country:	<i>UK</i>	<b>Task vs. Relationship Orientation</b>

Framework Data of the Executive`s Work Setting		Rank Order of the Dimensions (in descending order of score values)
Nationality:	<i>German</i>	Communication Style
(MNB)		Individ. vs. Collect. / Task vs. Relationship
Home Country:	<i>Germany</i>	Concept of Time / Power Distance
Host Country:	<i>Italy</i>	

Framework Data of the Executive`s Work Setting		Rank Order of the Dimensions (in descending order of score values)
Nationality:	<i>Czech</i>	<b>Communication Style / Power Distance</b>
(MNB)		Concept of Time / Task vs. Relationship
Home Country:	<i>Germany</i>	Individualism vs. Collectivism
Host Country:	<i>Czech Republic</i>	

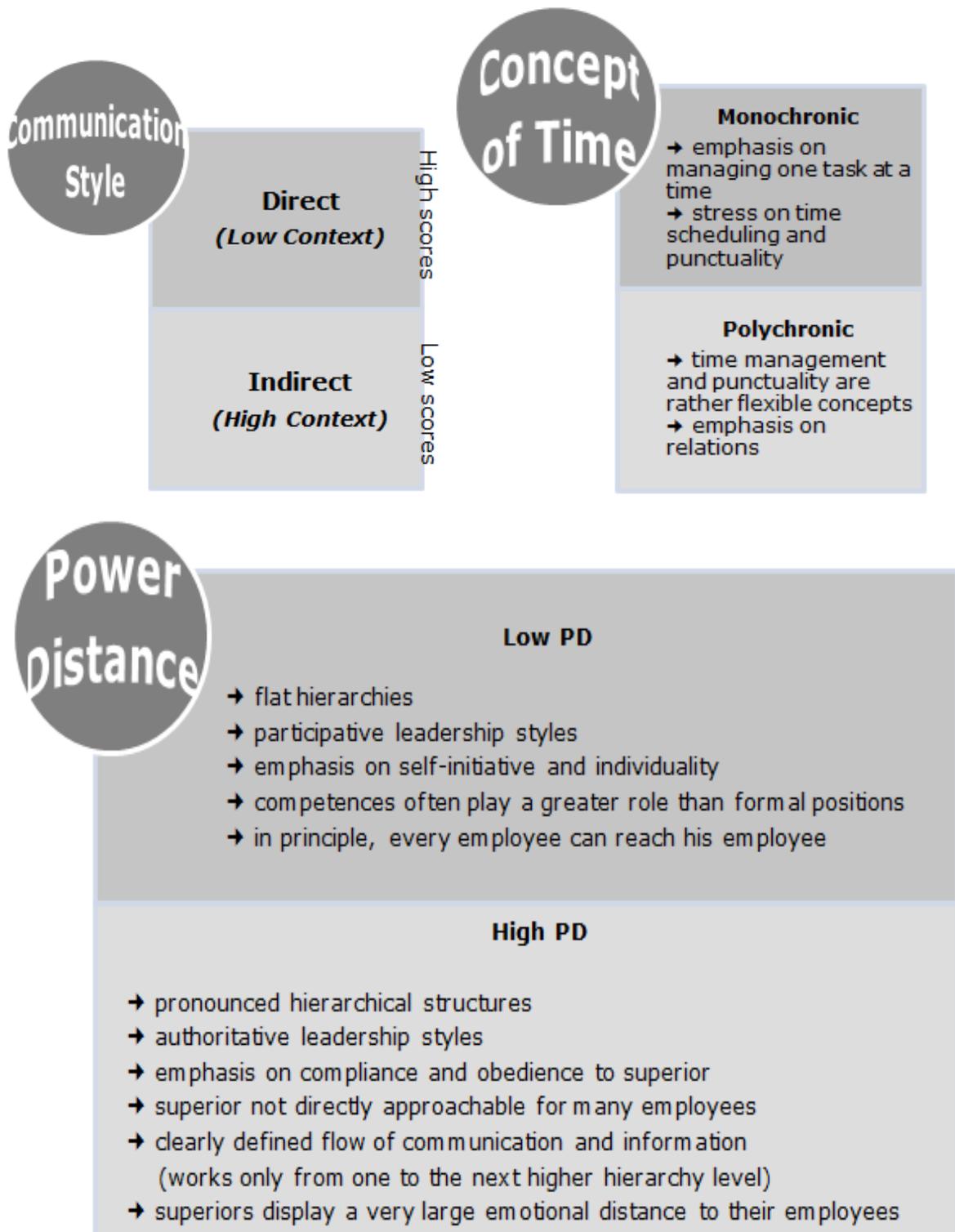
<sup>266</sup> The dimension displaying the *highest* or *lowest* score with respect to absolute values – when comparing values among all participants - is written in bold.

Framework Data of the Executive's Work Setting		Rank Order of the Dimensions (in descending order of score values)
Nationality:	<i>German</i>	Communication Style
(MNB)		Concept of Time / Power Distance / Task vs. Relationship
Home Country:	<i>Italy</i>	
Host Country:	<i>Germany</i>	Individualism vs. Collectivism

Interestingly, the table right above and the one below do not only display the same rank order but also equal average values in *all* dimensions.

Framework Data of the Executive's Work Setting		Rank Order of the Dimensions (in descending order of score values)
Nationality:	<i>German</i>	Communication Style
(MNB)		Concept of Time / Power Distance / Task vs. Relationship
Home Country:	<i>Germany</i>	
Host Country:	<i>China</i>	Individualism vs. Collectivism

**Tables 7.2.5: Self-Reflection - Meaning of Score Values in Relation to the Cultural Dimensions associated with the respective Questions<sup>267</sup>**



<sup>267</sup> The upper half of the tables lists characteristics of the dimension that are associated with higher score values (i.e. a greater extent of agreement with the given statement), whereas the lower half lists those characteristics associated with lower scores on that dimension.

**Individualism  
vs.  
Collectivism**

**Individualistic orientation**

- individual understanding of identity
- stronger need for autonomy, direct responsibility, and independent work
- emphasis on individual performance

**Collectivist orientation**

- identity of individual created by its social network
- primary focus on success of group

**Task vs.  
Relationship**

**Task orientation**

- pragmatic working methods
- ability to separate work and subject-related conflicts from the person
- emphasis on rule orientation (rules are considered an important integral part of social order and are to be placed above relationships)

**Relationship orientation**

- professional and private networks play a huge role, whereas rules tend to play a minor role (points of view or interpretations are modifiable and have to be adjusted according to the situation)
- no strict separation between issue and person (emotionality can play a role in work life as well)

## Corporate Culture

Concerning the concept of corporate culture within the context of this thesis it is interesting to find out to what extent a MNB`s culture is not only influenced by the cultural characteristics of its dominant home country but also by those of its host countries or its staff`s nationalities (cf. Chapter 4). In the questionnaire the executives are firstly asked to describe their bank`s culture in only one sentence. Afterwards they contrast multi-cultural aspects integrated in corporate culture with those aspects that reflect only the dominant home culture of the bank.

### Figure 7.2.10: Descriptions of Corporate Culture

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*"[The bank`s] corporate culture is about acting with integrity regarding openness, dependability and connectivity."*

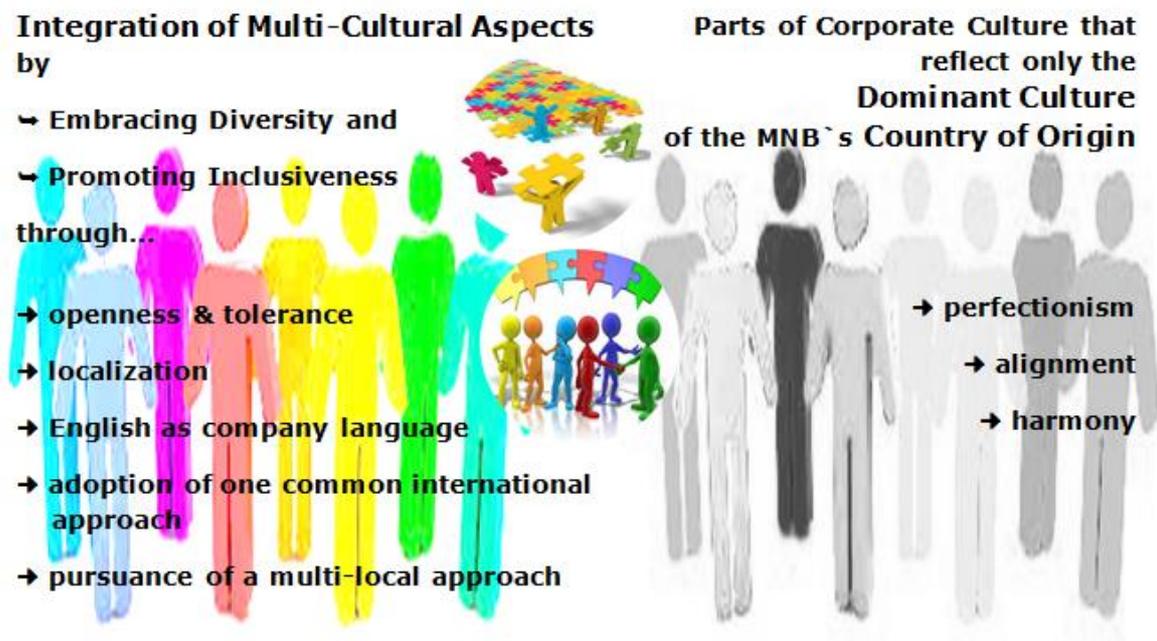
*"Community – shared culture of total alignment."*

*"Diverse and international with a broad range from a directive and authoritarian style to a flexible, open and participative atmosphere."*

*"Very open, consensus driven culture. I very much appreciate the way how the company treats all employees and supports diversity."*

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**Figure 7.2.11: In how far is Diversity reflected in Corporate Culture?**

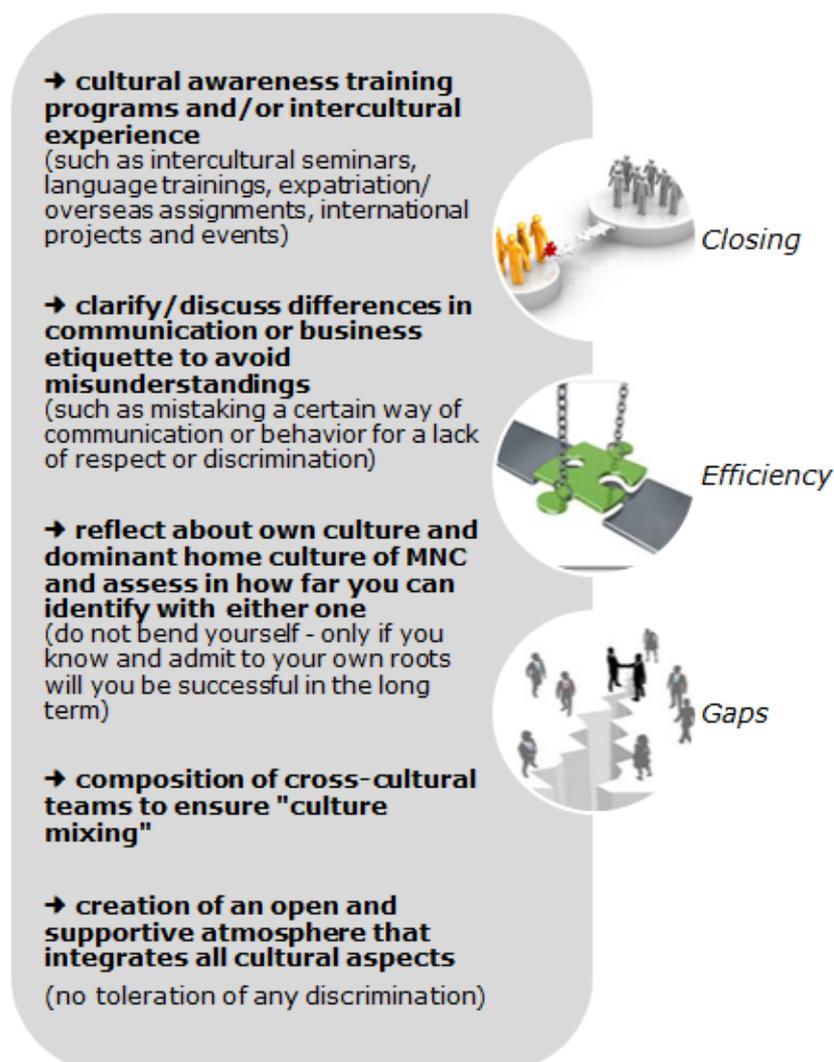


The executives generally agree that *openness* and *tolerance* represent essential prerequisites for the success of organizations acting in a global environment which demands complex stakeholder management across several continents and consequentially cultures. Furthermore, they distinguish between the adoption of an internationally shared approach, including one overarching system of common central values (cf. *geocentric* approach), which is i.a. reflected in international talent and graduate programs, on the one hand, and a "multi-local" approach on the other hand, which means adjusting to practices of the subsidiary's location, e.g. as a consequence of local legal regulations (cf. *polycentric* approach: "When in Rome, do as the Romans do."). It is interesting that many of the executives do not indicate any aspects that reflect solely the MNC's dominant home culture, speaking in favor of the holistic adoption of a broad multicultural approach on behalf of the financial institutions. Regarding the attributes that are listed, "perfectionism" may reflect a quality valued by the home country's culture and the practice of which is more or less also expected of employees working in a subsidiary of the company (which may present a challenge if the local culture prevails and places less emphasis on this attribute). "Alignment" in terms of a characteristic of only the dominant culture could mean a "one-way" adjustment process in which the home culture determines how things are done and demands unified practices throughout the whole MNC (nevertheless, multiple ways might be combined within the approach). "Harmony" may also refer to the alignment or pursuance of one unified approach as determined by the home culture (here the question arises whether true harmony is achievable if there are no adaptation processes of the dominant culture to other cultures being involved in the MNC's business – note that this suggestion does not necessarily have to comply with the meaning that the contributor of this term ascribes to it).

## Managing Cultural Differences – Risks and Opportunities

Both advantages and disadvantages are evoked concomitant with cultural differences. How these two sides of the same coin are approached by the leader, his team, or by strategies and procedures as prescribed by corporate culture, is one of the major issues the questionnaire addresses. After all, this supports the central thesis statement to what it takes to close efficiency gaps and simultaneously exploit benefits both resulting from cultural diversity. Executives are interviewed about what actions *are* taken to both overcome difficulties and make use of synergetic potentials, and furthermore, what actions *should* still be taken to improve daily business with regard to these approaches.<sup>268</sup> The gist of their answers is presented in the following figure.

**Figure 7.2.12: Minimizing Efficiency Gaps due to Cultural Distance while Maximizing Potential Synergies thanks to Cultural Diversity**



<sup>268</sup> Thus, *as is* as well as *should be* practices are inquired.

→ **separation between the way a task is approached and the final result** (take culture-specific ways of doing things into account, e.g. influenced by different concepts of time)



*Using*

→ **creation of an open atmosphere in which problems or opinions might be expressed freely** (and thus potential cultural misinterpretations resolved)



*Synergetic*

→ **ensure that all voices are heard in an idea-finding or decision-making process** (let everyone present their proposals - only then judge)

→ **arrange regular face-to-face meetings** (e.g. in the form of a joint workshop for which all team members meet in one location)



*Effects*

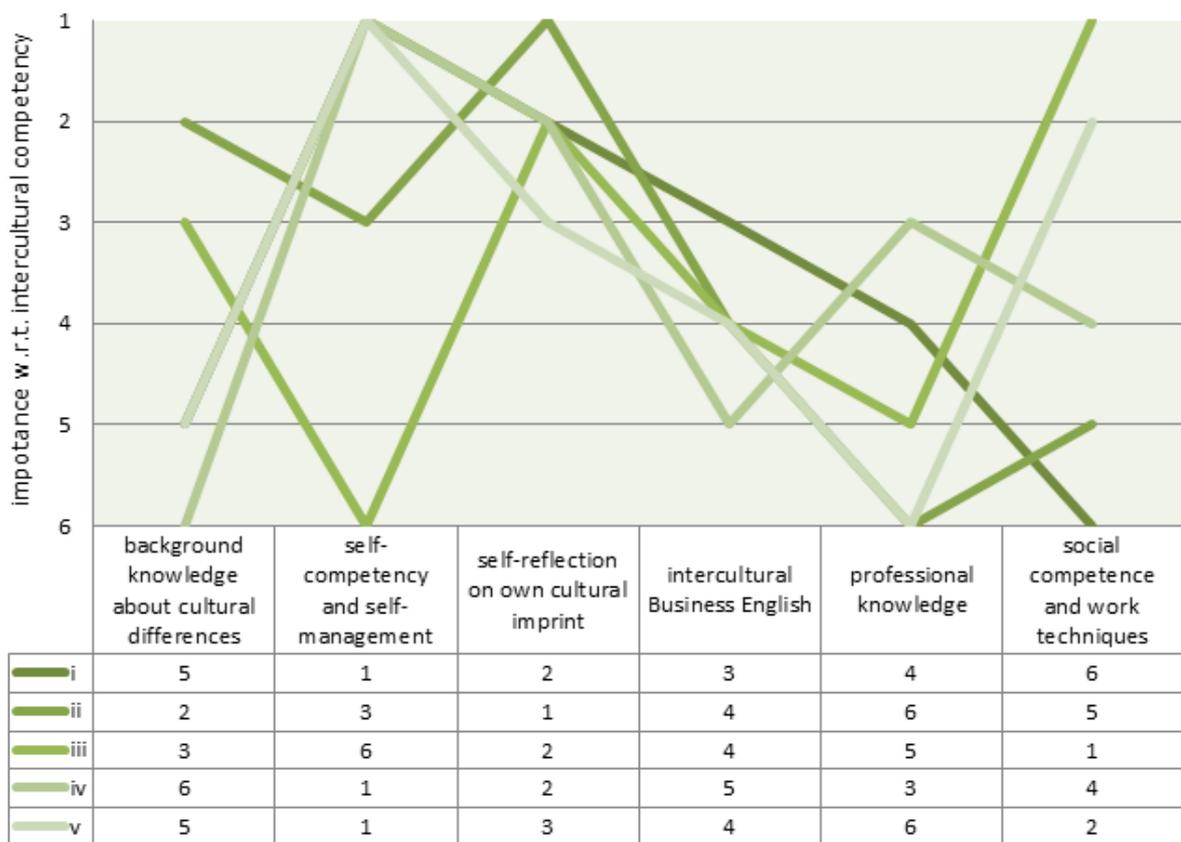
→ **share information/news internationally and frequently** (e.g. via the virtual workplace, over phone or video conference calls,...)

→ **consider and treat equally news/remarks from all locations**

## Intercultural Competencies

In this section of the interview, executives are asked to rank certain attributes in order of their magnitude concerning their respective contribution towards intercultural competency.<sup>269</sup> In a next step, the individuals` rankings are aggregated to yield an overall ranking sequence.

**Figure 7.2.13: The Executives` Personal Rank Order of Important Factors Contributing towards Cultural Competence**



(with "1" being the *most* important and "6" the *least* important attribute w.r.t. intercultural competency)

<sup>269</sup> Attributes adopted from Keup (2010), p. 13.

**Table 7.2.6: Overall Rank Order concerning the Attributes` Importance towards obtaining *Intercultural Competency* (in order of importance)**

<b>self-reflection on own cultural imprint</b>
<b>self-competency &amp; -management</b>
<b>social competence &amp; work techniques</b>
<b>intercultural Business English</b>
<b>background knowledge about cultural differences</b>
<b>professional knowledge</b>

The attributes in the table above that are colored in green can be categorized as capabilities that can be trained and fortified by experience but that do require certain skills and sensitivity, while those colored in blue can be assigned to more knowledge-based competencies. At this point it is of interest to compare this rank order deduced from the interview sample to the main lessons learned from the discussion in Chapter 5. The latter highlights the necessity to gain an overall intercultural understanding, which includes skills, personal attributes, and more tacit knowledge besides the mere factual knowledge, in order to obtain true intercultural competency. Take, for example, Marx`s priority list (cf. Chapter 5.1) regarding the most important qualities of a global leader. It is noticeable that attributes such as professional excellence or language skills do not appear at the very top of the list – instead social competence seems to play a superordinate role.

Referring back to the results of this interview, one finds that these are very much in line with the findings retrieved from literature. The overall rank order reveals that, at least on average, executives actually place all three capability-based competencies on top, hence assigning a lower rank to all knowledge-based competencies. What all agree on is that the *self-reflection* part is crucial in the process of attaining CQ. Individual justifications for their rank-order involve that only after having clarified one`s own cultural imprint will one be able to evaluate other cultures. Only if one knows and is in harmony with one`s roots can one attempt to understand other cultures` peculiarities. Phrased in terms of leadership skills, before managing others one has to manage oneself (cf. the attribute of self-competency/self-management). Also referring to the great significance of *self-competency*, it is stated that if one does not have a certain flexibility, one will not be able to "survive" in a new environment, whereas the other listed attributes derive a lot from flexibility and frustration tolerance.

*Intercultural Business English* is still considered rather important (receiving a lower middle rank), but not as essential. On the contrary, feelings and emotions are considered to be major contributors as those cannot be completely concealed and significantly matter during social interaction of any kind – and especially during intercultural encounters as those require particular intuition and tact. *Professional knowledge* is ranked the lowest taken altogether. Reasons are that professional knowledge constitutes a requirement for every occupation, whereas for successful, long-term cooperation *across* cultures the awareness of one`s own cultural background along with an open-mindedness towards other cultures is key in reaching a common ground of mutual understanding.

These findings are in line with the lessons learned so far, stating that cultural awareness (including both self-contemplation as well as reflection on other cultures) and self-competency (including skills, such as adaptability, frustration tolerance, etc.) are more crucial for the acquisition of cultural competence or intelligence since they are harder to obtain, if at all, than professional or language knowledge.

### **Cultural Dimensions – Practices and Values<sup>270</sup>**

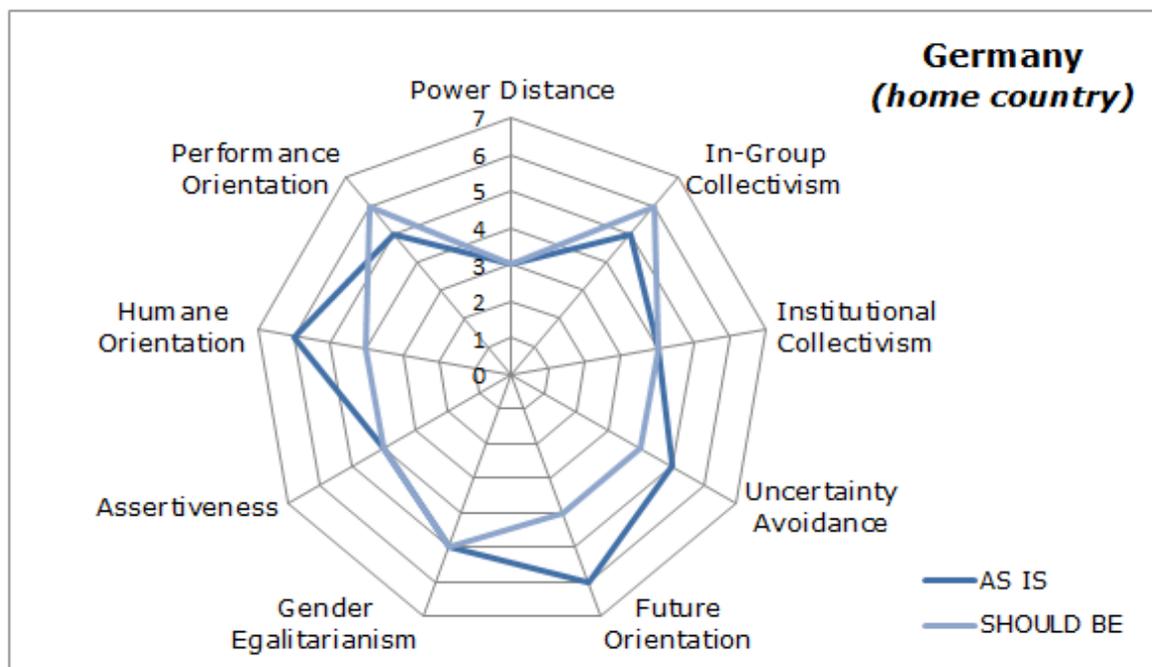
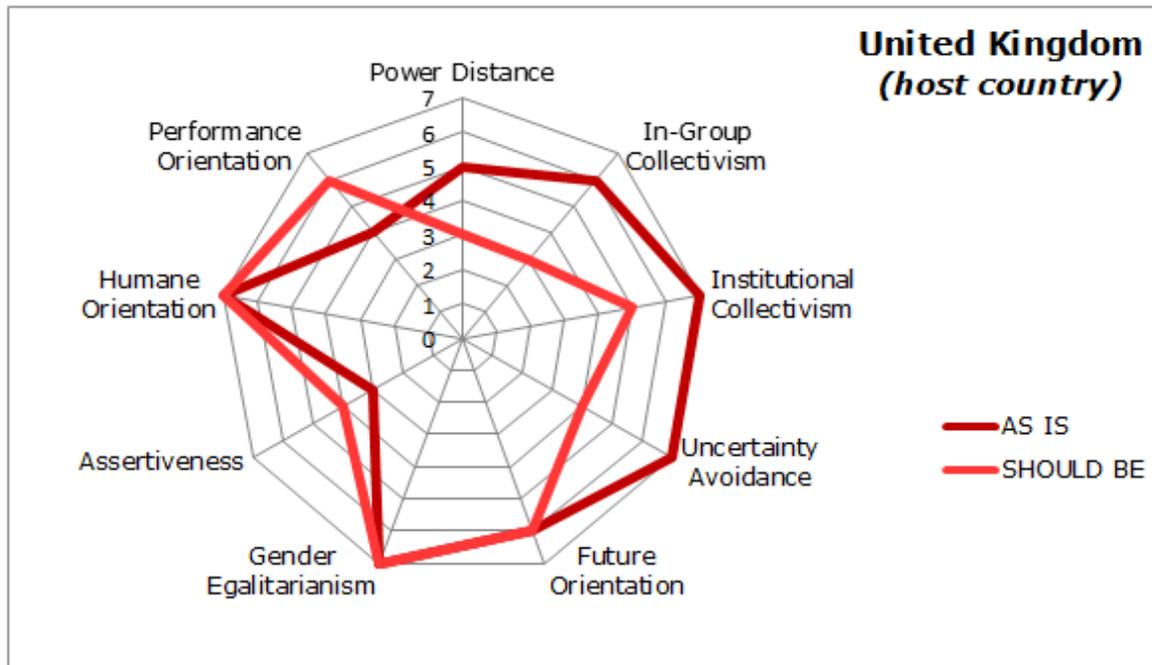
The last part of the interview draws on the GLOBE research program. Executives are requested to rate both the home country of their MNB as well as the host country of their choice on a *7-point Likert Scale*<sup>271</sup> for the respective cultural dimensions as defined by GLOBE (cf. Chapter 3.2 and specifically Table 3.2.1.1 for definitions of the dimensions). The special feature in this connection is that ratings are indicated for both *as is* practices as well as *should be* values. This double nature of the dimensions reveals interesting insights in how far expectations about cultural norms and standards are met in reality. Consequently, every cultural dimension receives four score values, i.e. both an AS IS as well as a SHOULD BE score for both the home and the host country. The following charts show different ways to contrast the score values among themselves.

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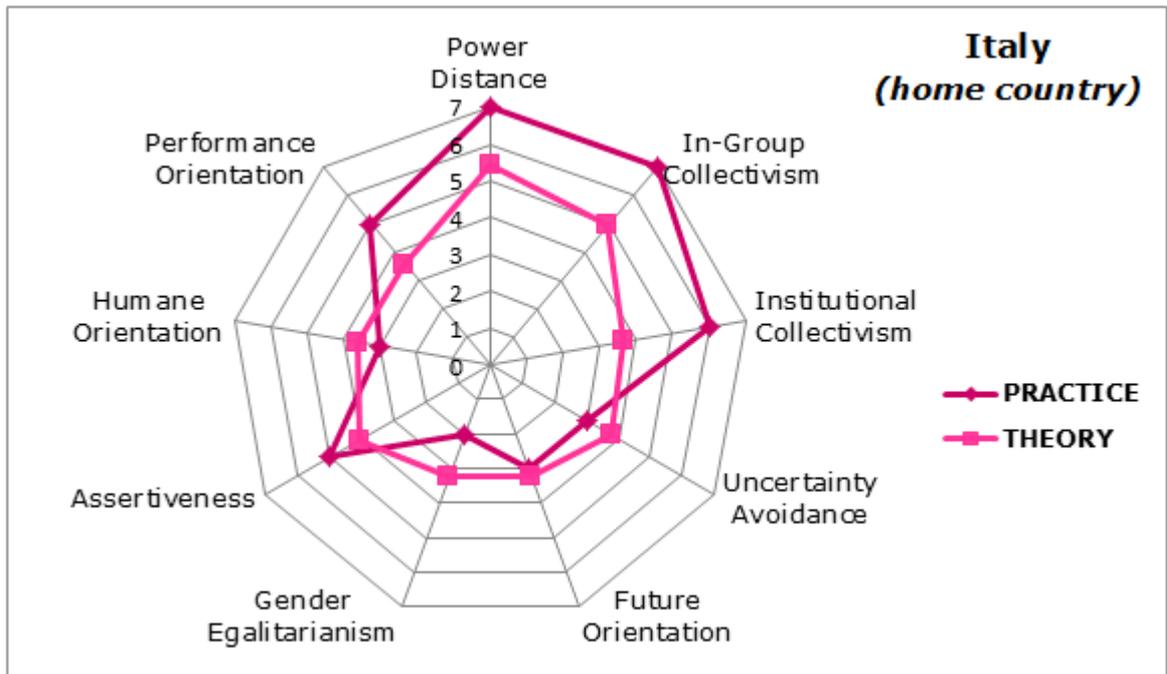
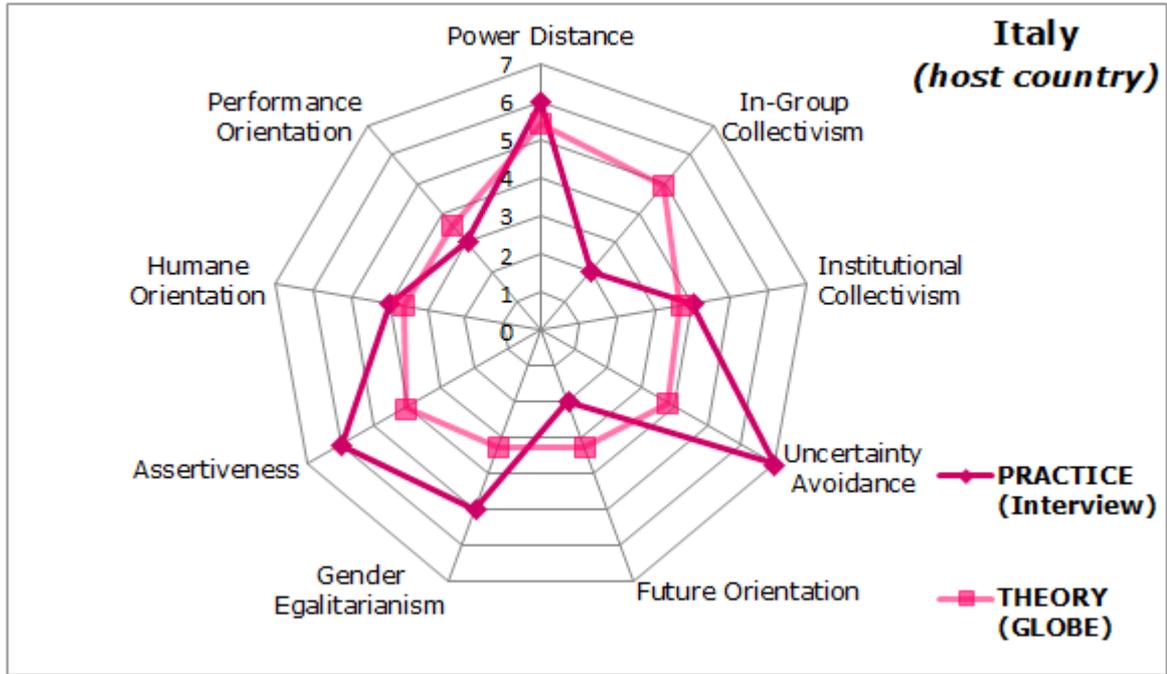
<sup>270</sup> Cf. House et al. (2004), Javidan et al. (2006).

<sup>271</sup> The 7-point scale was adopted from GLOBE`s survey method in order to make values received from the interview directly comparable to those values determined by GLOBE.

**Figures 7.2.14: The Executive`s Perception of Practices (AS IS scores) and Values (SHOULD BE scores) in one of the MNB`s Operating Locations**

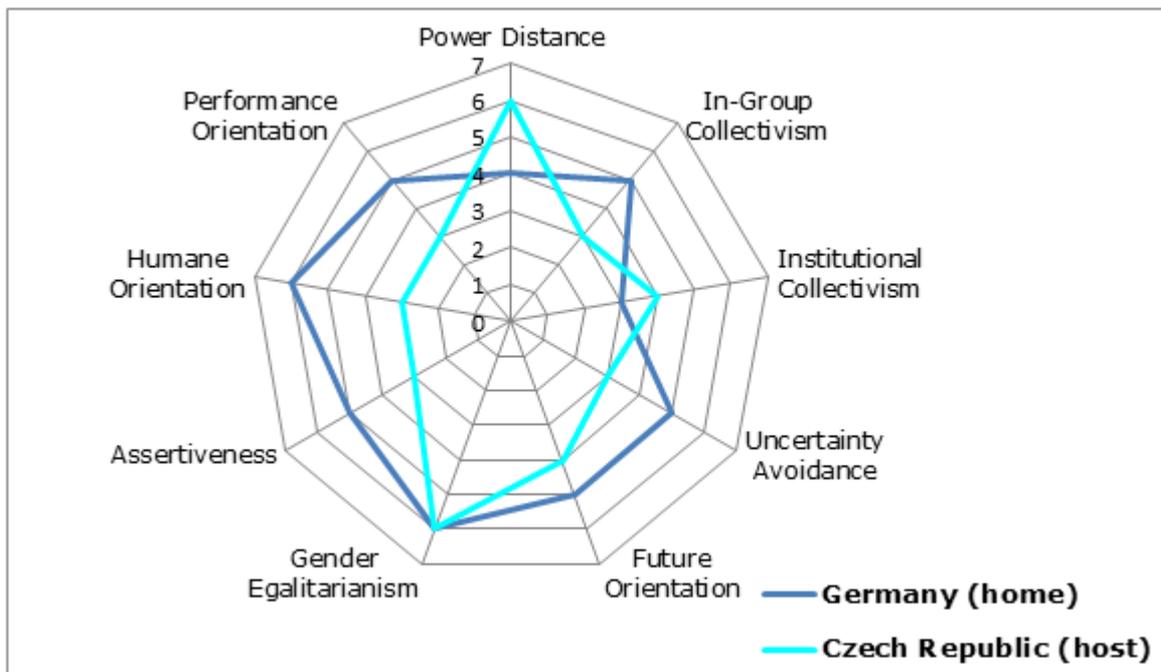
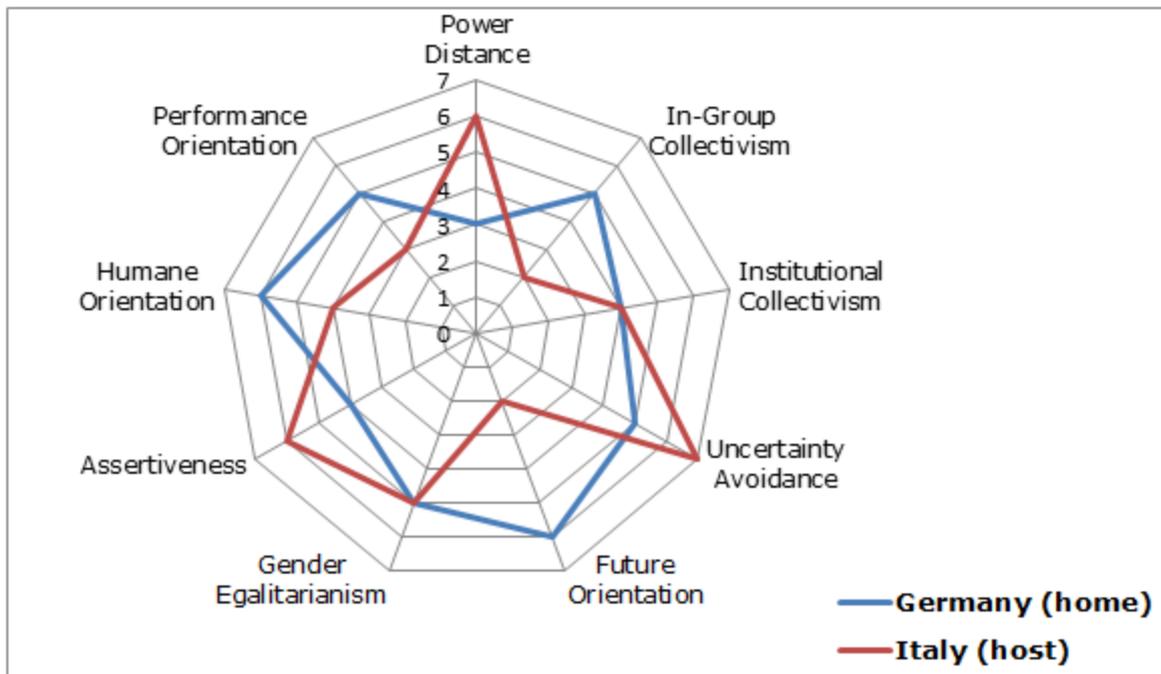


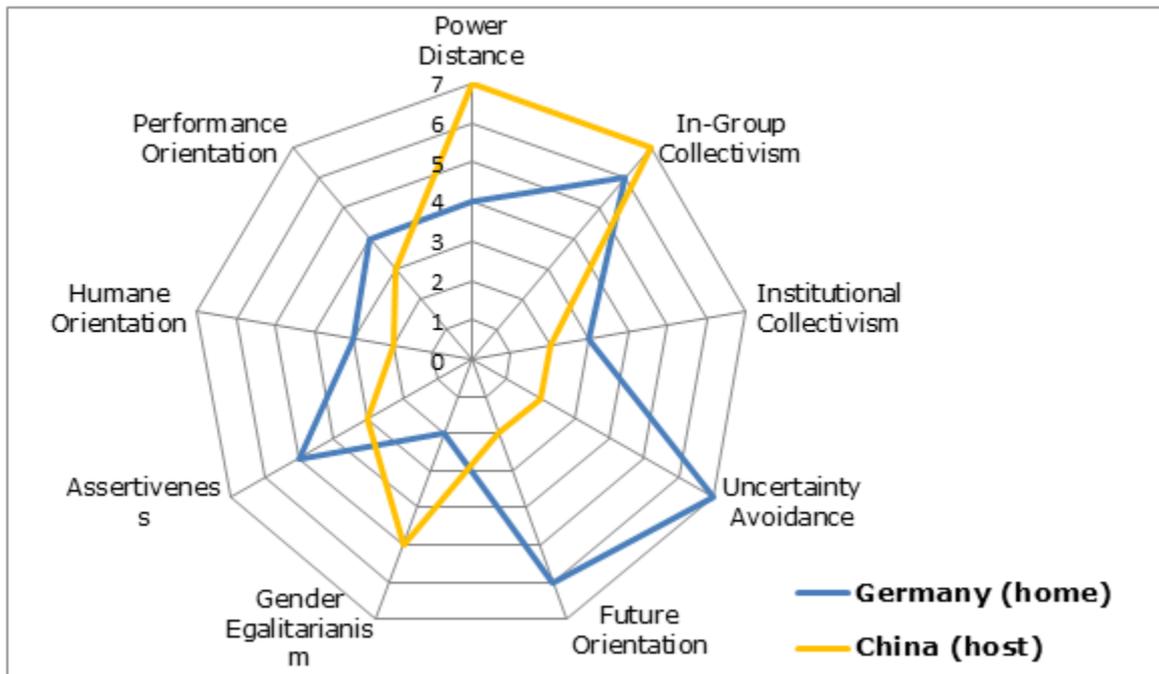
**Figures 7.2.15: Comparing Theory<sup>272</sup> and Practice – the Executive`s Perception of Practices in one of the MNB`s Operating Locations compared to its corresponding Country Scores as determined by GLOBE**



<sup>272</sup> Note that the term "theory" is rather a misnomer as GLOBE`s findings have been generated by a vast empirical study. Still, one could argue that due to the fact that they are so prominent they have already become a firm component of literature on cross-cultural leadership, they might possibly even be considered a part of theory for that matter. Notwithstanding, the purpose of this label is just to contrast it against the results of the interview at hand.

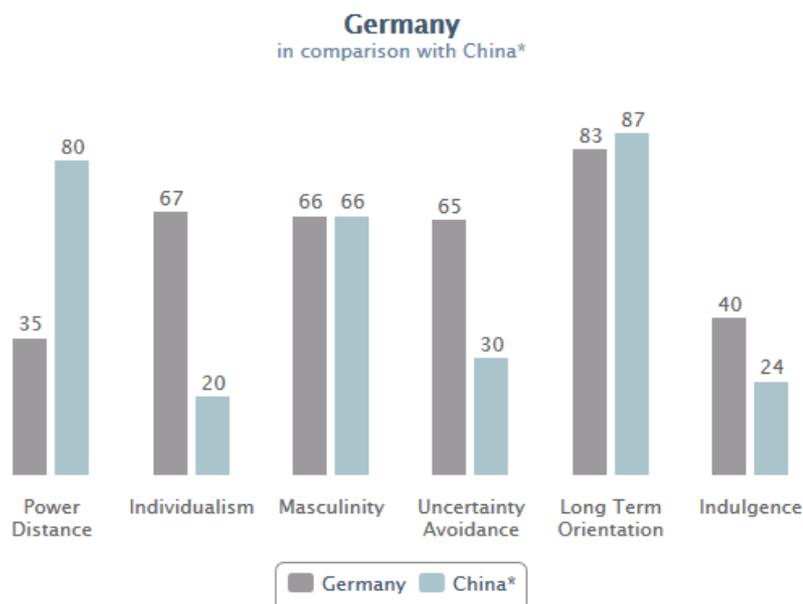
**Figures 7.2.16: The Executive`s Perception of Cultural Practices within the MNB in its Home Country compared to one of its Host Countries**





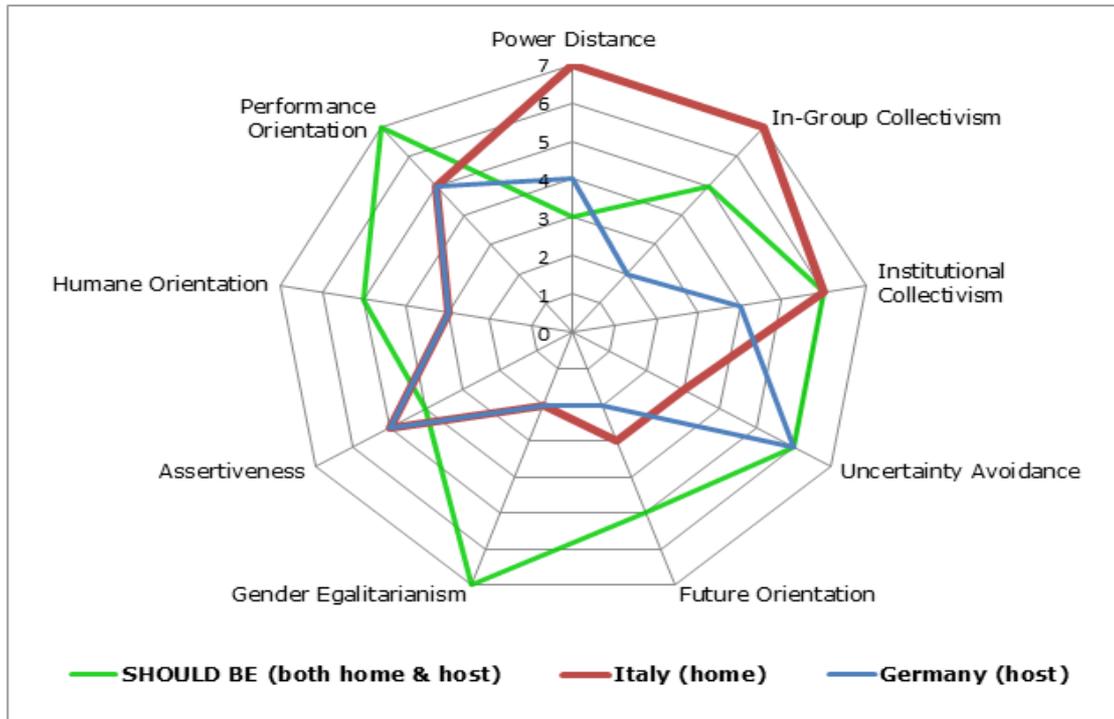
Exemplarily considering the illustration depicted directly above, what is striking is that the greatest difference in practices is perceived to lie in *Uncertainty Avoidance* (which is in line with theory<sup>273</sup>), followed by *Future Orientation* (*not* in line with theory – cf. the values for the dimension of *Long Term Orientation* as plotted by the *6-D Model* depicted below) and *Power Distance* (again in line with theory). The graphic below contrasts the respective country scores of China and Germany – based on Hofstede’s validated research:

**6-D Model® - a cultural tool to compare country scores** <sup>274</sup>

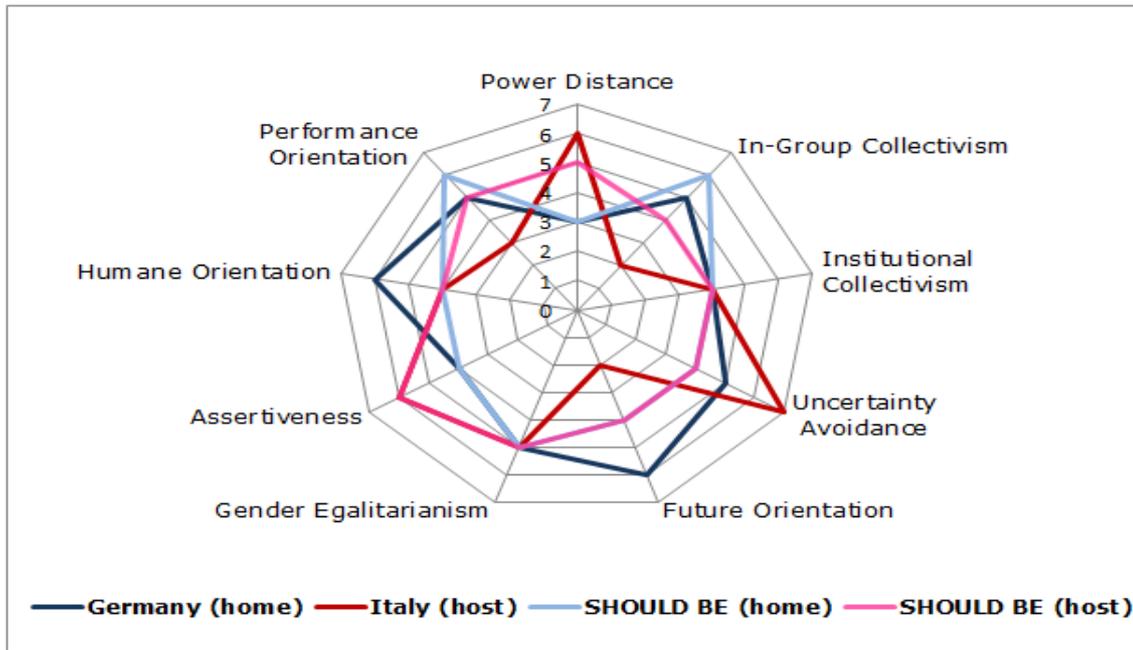


<sup>273</sup> By “theory” again meaning existing (empirical) studies – foremost project GLOBE and Hofstede’s study.  
<sup>274</sup> This tool for country comparison draws its data from Hofstede’s study and/or related, additional research projects of other researchers (accessed online via *the hofstede centre*®: <http://geert-hofstede.com/countries.html>).

**Figures 7.2.17: The Executive`s Perception of AS IS Practices and SHOULD BE Values for both the Home and Host Country of the MNB**



Note that this executive attributes the *same* values to both home and host country. If there is consent in that regard within the company, this will present a valuable basis to start from, as both will aim towards the same target value. The primary issue will then consist in finding the right methods to move into the pursued direction. Referring to this exemplary case, according to the executive`s viewpoint, both Italy and Germany should decrease their power distance (although for Italy this would entail a larger transformation of hierarchical structures), while, for instance, Germany should increase their in-group collectivism, as opposed to Italy which should decrease said practice. This endeavor could be based on the justification that neither too low nor too high in-group collectivism is desirable. Collectivist behavior within a work team will establish a sense of belonging and will most likely promote team performance and effectiveness, while high *in*-group collectivism inevitably entails a strong separation from the *out*-group, which might not be as desirable considering the bigger picture (the overarching goal) of the corporation.



### Global Leadership Profile<sup>275</sup>

The last task of the questionnaire involved rating the universally perceived leadership attributes identified by GLOBE (cf. Chapter 3.2 and specifically Table 3.2.1.2 for definitions of the CLT leadership dimensions). Also using a 7-point Likert Scale, allocating high scores to a certain leadership behavior means that it contributes to being a great leader, while low scores mean that this behavior or characteristic inhibits outstanding leadership. The first of the following tables gives an overview of the individual leadership profiles with regard to absolute value scores composed by the executives. Subsequently, scores are transferred into rank-orders which are compared to the CLT profiles derived by GLOBE for the different country clusters. The last table shows the average “ideal” leader<sup>276</sup> when cultures are blended, computed from all scores retrieved from the questionnaires.

<sup>275</sup> Cf. House et al. (2004), Javidan et al. (2006).

<sup>276</sup> Be aware that the most preferred leadership attributes that were computed on average are obviously *not* representative at all. The ideal image of an outstanding leader depends hugely on the cultural influences incorporated here in this specific sample (cf. the section in this chapter containing statistical data with regard to nationalities and country clusters) – independently of the fact that, by definition, the results of the very small sample size cannot nor do they intend to claim any generalizability.

**Tables 7.2.7: Individual CLT Leadership Profiles**

<b>Charismatic</b>	<b>7</b>	<b>7</b>	4	5	<b>7</b>
<b>Team-Oriented</b>	5	5	6	<b>7</b>	5
<b>Participative</b>	4	6	5	<b>7</b>	5
<b>Humane-Oriented</b>	6	5	<b>7</b>	<b>7</b>	6
<b>Autonomous</b>	5	3	4	<b>1</b>	4
<b>Self-Protective</b>	2	2	4	<b>1</b>	2

Two exemplary individual rank orders are derived from the absolute value scores hereafter. Both absolute and relative values are compared to those associated with the country clusters examined by project GLOBE (cf. Appendix, Tables 2 and 3).<sup>277</sup> The purpose of this is to find out which culture is most similar to the rank order of the interviewee. From this it might be possible to derive assumptions on the cultural values or attitudes he is mostly influenced by. Cultural impacts that seem natural to play a prevalent role are first and foremost typified by his own nationality, which his personality is mostly shaped by (cf. Hofstede`s mental programming). Secondly, he could have internalized the “way things are done” by his organization`s corporate culture which is largely influenced by the MNC`s country of origin. Moreover, he could have adapted to some extent to local attitudes and practices of his MNC`s host country.

<b>Value Scores</b>	<b>Country Clusters</b>	
	<b>(i) absolute values</b>	<b>(ii) relative values</b>
Charismatic ( <b>7</b> )	Anglo	Anglo/Latin America/Latin Europe/Nordic Europe
Participative ( <b>6</b> )	Germanic Europe	Anglo/Nordic Europe
Team- / Humane-Oriented ( <b>5</b> )	Middle East / Confucian Asia	(Nordic Europe/Sub-Saharan Africa), (Anglo/Confucian Asia/Southern Asia)
Autonomous ( <b>3</b> )	Latin America	Nordic Europe
Self-Protective ( <b>2</b> )	Nordic Europe	Sub-Saharan Africa

In this profile there is no tendency regarding (i) absolute value scores. The values the executive assigned to *charismatic* and *participative* leadership are higher than all average values of the respective country cluster scores, whereas those he assigned to *team-oriented*, *autonomous*, and *self-protective* leadership are all lower than the average values computed from the different clusters. Concerning (ii) the relative rank of the values the executive assigned to the leadership dimensions, it can be seen that his order resembles the Nordic Europe cluster the most (with the greatest difference that the latter places *humane-oriented* leadership on the fifth instead of the third rank).

<sup>277</sup> It has to be noted that the country clusters that are listed in the two tables below are only those *closest* to the values specified by the executive and usually differ in terms of their precise value.

Value Scores	Country Clusters	
	(i) absolute values	(ii) relative values
Humane-Oriented (7)	<i>Southern Asia</i>	Sub-Saharan Africa
Team-Oriented (6)	Latin America	Latin America/ <i>Latin Europe</i> /Confucian Asia
Participative (5)	Confucian Asia	Germanic Europe/ <i>Latin Europe</i>
Charismatic / Autonomous / Self-Protective (4)	Middle East / <i>Southern Asia</i> / <i>Southern Asia</i>	(Confucian Asia/Middle East), (Nordic Europe), ( <i>Latin Europe</i> )

Regarding absolute values in this profile, half of the value scores mostly resemble the Southern Asia cluster (even though absolute values range above all average cluster scores for *humane-oriented* and *self-protective* leadership). The indicated value for *team-oriented* leadership is also above all average values, whereas – what may be most interesting – the executive assigned a value to *charismatic* or value-based leadership that is below all average score values, but closest to the one of the Middle East which shows an aggregated cluster value of 5.35 (and is thus still relatively high, considering the 7 point rating scale). For some reason the executive personally neither attributes a great importance to charismatic leadership as being really effective nor does he feel that it hinders effective leadership. Instead, he places the most emphasis on a leading personality who is especially supportive, generous, caring, and a general team-player. His rank order mostly resembles the Latin Europe cluster.

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Note that the present individual CLT profiles are most similar to clusters that can neither be traced back to the executives` cultural background nor to their work environment, which is why the underlying assumption that these clusters exert a relevant influence on the executives` beliefs or values can rather be neglected in these particular cases. Consequently, these results do not permit the originally intended determination of an executive`s cultural imprint, i.e. in how far his individual idea of a great leader is influenced by his own national culture and those that shape his organization`s culture.

The table below presents the aggregated leadership profile which includes the notions of all surveyed executives:

**Table 7.2.8: The Multiculturally Composed Leader**

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<b>Humane-Oriented</b>
<b>Charismatic</b>
<b>Team-Oriented</b>
<b>Participative</b>
<b>Autonomous</b>
<b>Self-Protective</b>

When computing the average rank order of preferred leadership attributes, one finds a clear tendency towards the ideal image of a *humane-oriented, altrocentric*<sup>278</sup> leader who cares strongly for his fellow men, especially for those within his direct area of responsibility, and who also possesses the warmth of a *charismatic* personality having the power to inspire, to motivate, and to move people. The strong core values held by a charismatic leader are very much in harmony with some attributes of altrocentric leadership, such as being self-sacrificing or behaving with integrity, as they focus on the direct relationship between the leader and his followers that emphasizes mutual trust and reciprocity. The dimensions of a charismatic and humane-oriented leader are closely followed by *team-oriented* and *participative* leadership styles whose characteristics also underline the values and beliefs of an altrocentric leader who considers himself an integral part of the group and derives his motivation from *socialized* rather than personalized power. There is found to be a considerable gap between the aforementioned leadership behaviors and *autonomous* and *self-protective* leadership in terms of overall scores.

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<sup>278</sup> Cf. Chapter 3.3 for a more precise description of *altrocentric* as opposed to egocentric leadership.

## **7.3 Evaluations and Implications**

Most of the just pictured results speak for themselves. That is why this last section of the practice-based research part intends to evaluate the interview results from a more overarching perspective by trying to deduce some overall tendencies of cross-cultural leadership, as far as that is even possible. One has to note that obviously this sample is by far too restricted in its size in order to claim any general validity (which is not the intention of this interview project anyway). Instead, this analysis provides a first, interesting insight into the work practices, personal value conceptions, and social attitudes of financial executives – primarily with respect to managing cultural diversity – on the basis of which further, more analytically elaborate studies may be conducted. Besides the sampling bias that can be attributed to the low number of interview participants, in all likelihood there also exists a selection bias in terms of the positive resonance, i.e. the executives who were eventually willing to participate in the interview. Those who actually completed the questionnaire may be generally more interested and versed in the topic of cross-cultural leadership and may belong to the more motivated, successful, and dedicated leading personalities.

### **7.3.1 Lessons learned from Interviews**

The personal statements about what makes an outstanding leader as an introduction to the topic (cf. Figures 7.2.1-7.2.3) show firstly that the interviewees make use of figurative language, which may reflect an imaginative, visionary way of thinking. Exemplary phrases include “seeing the whole elephant, but eating it in pieces” (i.e. always visualizing the overall strategy behind the definitions of objectives to carry out tasks most purposefully, but working towards the complete goal achievement by breaking it down into smaller milestones), or “putting yourself in the others` shoes”. From the latter follows that effective leaders have to possess the ability to imagine, to reflect, and to project trains of thought onto someone else`s position. This is strongly linked to emotional intelligence which cannot really be compensated by academic or professional intelligence. Especially this last mentioned idea of an exceptional leader reflects attributes of *altrocentric* leadership. Being conscious not only of self but also of others represents a very important social competence, which includes empathy and social skills, such as communication and conflict management abilities.

The concept of “altrocentricity” also comprises being a role model and a team player, a coach where necessary, understanding the pressure (e.g. of performance, time, or competition) team members are under and always having a sympathetic ear for their

concerns ("open door policy"), as well as considering the interests of all stakeholders. This notion represents a stark contrast to the one of egocentricity, according to which the leader only acts out of pure self-interest as a sole commander towards his subordinate employees. Generally speaking, aspects of humanity, mutual trust and support are reflected in the executives' statements. This can be considered interesting especially against the specific background of the financial industry in which numbers and figures count to a tremendous extent, wherefore one might assume that business is above all characterized by a stress on analytical, data-driven and factual processes, and thus by a stronger focus on the efficient performance of tasks rather than on relationships. The altrocentric component of leadership practice can also be found in the CLT leadership profile as determined for the present sample, in which humane-oriented leadership ranks first; closely followed by charismatic behavior (cf. Table 7.2.8). Specifically regarding the matter of team motivation, concepts of *Situational Leadership*<sup>279</sup> are reflected in the executives' answers, among others. Leaders employ the *delegating* leadership style (i.e. both low directive and supportive leadership behavior) for more experienced, committed, and skilled team members and the *coaching* style (both high directive and supportive behavior) for less competent or experienced, and less motivated members (regarding the task at hand), respectively.

Regarding the issue of mostly practiced leadership styles, it is generally apparent that those depend on the country in which they are applied. Here, the situational leadership approach comes into play again, emphasizing the need for leaders to *adapt* their behavior according to the specific demands of the situation (which is inter alia composed of the prevailing cultural environment, the individual nationalities of team members, the specificity of the task at hand, the respective capability of the team members to fulfill the target, etc.). This is particularly visible for the different distribution of *authoritative* and *participative* styles, respectively. For instance, there is a recognizable tendency to be found that when operating in Germany, leaders involve their colleagues a great deal more than they give mere instructions (at least when Germany is the MNB's country of origin). Comparing the applied leadership behavior to culture clusters and their manifestations in the respective cultural and leadership dimensions as detected by GLOBE, this observation is compliant with the culture-contingent tendency of Germany to value low power distance and a leader who is very participative<sup>280</sup> and team-oriented (cf. Tables 2 and 3 in the Appendix). Overall, the results imply that a leader is not only influenced by his own nationality or personality, but also by the situational and cultural context he is encountering.

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<sup>279</sup> Cf., e.g. the *Situational Approach* as described in Northouse (2013), pp. 99-121.

<sup>280</sup> Cf. Appendix, Table 3: The *Germanic Europe* cluster even receives the *highest* cluster score for the dimension of *participative* leadership behavior.

The answers executives gave on the self-reflection part of the interview provide indication as to where they personally stand in terms of some culture-related concepts. It is noteworthy that those concepts are closely intertwined. For instance do LC cultures that employ a direct *communication style* also tend to focus on the *task* at hand, and, moreover, apply a monochronic *concept of time*, putting great emphasis on time management and punctuality (whereas HC cultures focus on *relationships* and comprehend time as a polychronic concept rather).<sup>281</sup> Likewise, people who object high *power distance* also display a stronger *individualistic* than *collectivist* focus. They stress self-initiative and expect their superiors to involve them in decision-making processes and to recognize and reward their individual performance. Considering the interview sample altogether, executives should thus score relatively high on all of the dimensions (meaning they should by tendency agree with all of the statements), as it is strongly “tinted” by German culture (especially due to the fact that all interviewees – except for one who is, however, living and working in Germany – are of German nationality).<sup>282</sup> This prognosis proves to be very true with regard to the present results: every average score that has been computed for each of the five dimensions shows either predominant or total agreement with the statements<sup>283</sup>; except for one single score which still displays an exactly neutral attitude towards the statement. Taking a look at individual rank orders regarding score values, it becomes clear that the communication style ranks highest on average, meaning that executives highly value forthright communication and clear statements. Another interesting observation to point out is that while the PD dimension usually receives higher scores (meaning that executives value *lower* power distance), there is one case in which it ranks among the lowest.<sup>284</sup>

This may be attributed to the fact that this particular executive, even though of German origin, is working in Italy at the moment where there is generally more emphasis put on formal hierarchies.<sup>285</sup>

As to what concerns the results from the last part of the interview that is based on GLOBE` s dimensions of culture and leadership – what can be readily seen by generally

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<sup>281</sup> Cf. Chapters 2.2.2 and 2.2.3.

<sup>282</sup> Note that high scores on *all* dimensions are typical for the German culture, as it is characterized by direct communication (low context), a monochronic time concept, a focus on the task rather than relationships, a stress on individualism rather than collectivism, as well as lesser hierarchical structures (low PD).

<sup>283</sup> This is convertible to *high* scores; cf. Tables 7.2.5 explaining the meaning of score values with respect to cultural dimensions.

<sup>284</sup> Note that this statement is made primarily in terms of relative values here (whereas the absolute value of PD is still not significantly lower compared to the other indicated values for that dimension).

<sup>285</sup> Cf. Hofstede (2001) / House et al. (2004). Hofstede` s and GLOBE` s findings show that the *Latin Europe* cluster (Italy) displays higher PD values than the *Germanic Europe* (Germany) cluster.

observing the manifestations of the nine cultural dimensions is that there are marked differences between *As Is* practices and *Should Be* values as well as between home and host country (as presented in the net diagrams<sup>286</sup>). Nonetheless, it is equally important to consider similarities. As already learned during the course of this paper, it is sensible to identify and clarify similarities at first in order to start out from a common basis. When comparing practices (*As Is* scores) of home and host country, one needs to be aware that there may be two main causes for practices to be similar. It could be either the case that the practices prevailing in the dominant national culture have been adopted by the subsidiaries or it might as well be that multinational aspects are already an integral part of Corporate DNA, meaning that a blend of multicultural aspects is applied within headquarters and subsidiaries around the world instead of adjusting approaches only contingent on the respective local culture.<sup>287</sup> Besides, it is very advisable to compare the *values* (*Should Be* scores) of home and host country. If those are similar, then it will be a lot easier to work towards an interculturally shared set of work-related values. If the vast majority of practices can be harmonized, an aligned, homogeneous corporate culture will be created. Otherwise leaders have to be very flexible and adept at adjusting to every country`s cultural setting they encounter. Regarding the CLT leadership profiles the surveyed executives set up, it is particularly interesting to ascertain in how far the executives` picture of exceptional leadership is influenced by their nationality, the dominant corporate culture of the MNB, or the host country they are working in.<sup>288</sup>

The question about how to best manage cultural differences by reducing their associated risks and enhancing their opportunities is of particular interest in this context as it concerns the centerpiece of this thesis. Asking executives what concrete actions are or should still be taken to minimize efficiency gaps and maximize synergies, both emerging from cultural diversity, allows for the assessment of those theoretical aspects that are reflected in practice. Their answers inform about their degree of awareness of different kinds of efficiency gaps as well as potential synergies and their respective know-how to close the former and generate the latter. For example, gaps identified by the interviewees include differences in communication or time management, while their suggestions to improve culturally induced difficulties include intercultural awareness trainings, the composition of culturally heterogeneous

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<sup>286</sup> Cf. Figures 7.2.14 – 7.2.17.

<sup>287</sup> Note the parallels to the *ethnocentric* (culture of COO predominates) and to the *geocentric* (global aspects inherent in corporate culture) approach, respectively, versus the *polycentric* approach (adjusting to local standards and procedures).

<sup>288</sup> Note that, unfortunately, present results do not allow for cultural influences to be traced back to the executive`s cultural background or cultural work environment as profiles display the greatest resemblance to culture clusters that can neither be ascribed to their nationality nor to their working environment.

work groups, and self-reflection processes. Henceforth the issue of potential synergies will be examined more closely, as these might present crucial competitive advantages of increasing value against the background of globalized business ecosystems. However, those still seem to be rather underestimated in practice.

As already proposed by one of the executives, there should be a separation between practices and the final result – since oftentimes there is no “one-size-fits-all” approach, one should take different approaches into account and allow their implementation as long as they result in at least as high a performance in the end. For instance, people from different cultures might apply a different concept of time.<sup>289</sup> If they are not used to a certain way of getting a task done, they might get lost in the process. Albeit, their performance could have been better, had they been able to work in a way that had allowed them to use their strengths accordingly and had not been dictated a single “one-best” strategy instead. Specific suggestions as to what should still be done to be able to generate advantages from cultural diversity include letting everybody present their proposals after a brainstorming process – but *before* the actual decision-making – to prevent the “loudest voice” from having the final say and thus taking the opportunity of potentially better ideas to be realized.

Some of the other executives, however, do not list any concrete synergies. This might be due to the fact that they either believe there are none or they cannot think of any truly potential advantages, considering the status quo of their diversity management. Or else, they find that by closing efficiency gaps, all possible advantages of cultural differences will already be produced. Referring to this, one might argue that this presents a distinctive feature of the financial branch. For instance, there could be the opinion that “creative discussion”<sup>290</sup> does not necessarily have to be promoted in this industry as business in the financial area is very factual, technology-based and rooted in statistics, not leaving much room for any creative proposals or unconventional methods. At the same time this argument about said specificity of the financial industry not needing any diverse approaches or mindsets can be rejected due to the trend of increasing globalization. Since the world indeed seems to be getting larger due to the nearly world-wide interconnectedness in economic activity, MNBs almost inevitably need to process financial transactions throughout the globe. Hence why the heterogeneous target groups, the financial market faces, and the increasing competition, it is additionally affected by, present quite plausible counterarguments. MNBs have to try to outrun other financial services providers by delivering the smartest product or service at the right time and place to the right conditions. As

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<sup>289</sup> Cf. Chapter 2.2.3 that includes the distinction between linear, cyclical, event-related concepts or between monochronic and polychronic cultures.

<sup>290</sup> Cf. Chapters 2.3 and 6: Creativity presents one of the outcomes associated with diverse/heterogeneous work groups.

discussed earlier, according to *Human Capital Theory*, the incorporation of diversity is crucial in the context of today`s globalized business world. The main argument is that business undertakings best meet the needs of heterogeneous market demands when their internal organizational structure reflects the external market structure as congruently as possible.<sup>291</sup> This is highly relevant for the financial sector as well – depending on the specificity of the region, capital markets may demand completely different products and services at other price rates. Consequently, MNBs and other financial service providers will have to proffer the entire product range if they want to persist and, what is more, excel in the international financial market in which they need to serve an exceedingly diverse clientele.

### **7.3.2 Advice for Global Leaders**

One of the most substantial missions for leaders to embark on consists in establishing a working culture of shared values among team members despite different backgrounds. Only then will the team act in concert by working purposefully towards a common goal because members pursue a unified vision. As it has already been shown repeatedly, becoming aware of culture-specific behavior and beliefs, by identifying differences and particularly similarities, presents a crucial first step in the process.

A concrete suggestion on how to address this includes consulting the online platform *the hofstede centre*<sup>292</sup> which offers several handy cultural tools to compare e.g. one`s personal value scores to those of a specific country (quite similar to what has been done for the purpose of this questionnaire evaluation). This presents a convenient way to receive a first, brief impression (of course, this is only very superficial) about cultural peculiarities at one glance. Internationally working executives or employees could make use of this if they are assigned to work in a host country and are still unfamiliar with its customs or if they are negotiating with business partners from another country they do not get into touch with on a regular basis.

Above all else, though, *authentic* leadership is ultimately the critical factor for success. Leaders should not simply “bend” themselves to other cultural practices, especially if these contradict their belief of best practices or, what is worse, their own moral understanding. Rather, they should set about explaining to their work team how they

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<sup>291</sup> See Holtbrügge (2001), p. 155. Cf. also Table 6.1.

<sup>292</sup> The link to the website is the following: <http://geert-hofstede.com/>. Once accessed, it provides an overview of the different cultural tools *the hofstede centre* offers to help visualize cultural differences and their impact. These tools will, among other things, compare countries with respect to their cultural dimensions, measure the culture of a group (on the level of a whole organization, team, or business unit), or measure personal cultural preferences.

do certain things and mainly why they believe that their practices are most effective in exactly that way. Nevertheless, they should at the same time listen to their team colleagues and the reasons for their usual procedures – with an overview of all viewpoints, leaders might actually come across a promising method they had not yet thought of. In any case they should try to combine some preeminent practices of other cultures with theirs. By all means this does not imply complete adaptation to the host country but should be understood as a two-way process instead with both the leader and the local team members approaching each other somewhere “in the middle” – in order to reach a level of mutual understanding and a shared set of work-related values and beliefs (cf. Chapter 3.2.2). After all, dictating a single procedure that might have proven most successful in the organization’s COO does not mean that it will likewise work in the subsidiaries.

Concerning the issue about the adequate extent of adaptation processes, one executive phrases it the following way: He finds the “chameleon”-behavior to be problematic. He states that in practice many (German) managers do not admit their roots, which the rest of the world, however, does not understand; that is to say, that other cultures do not even expect someone to change his behavior to such a great extent (cf. Figure 7.2.12).

However, adopting the strategy of the chameleon does not necessarily have to be false – if it is understood in the sense of embracing diversity by adjusting to different cultural contexts *without* forgetting one’s own roots. Switching back to metaphorical language, cross-cultural leadership entails being a chameleon to some extent, as it is able to change its colors depending on the respective location and conditions it encounters. Nevertheless, as long as it knows its “original” color and does not pretend to be another animal, so to speak, it does not bend itself but gets the best out of each situation by behaving in an appropriate and most efficient way. Still, this metaphor is a bit misleading – leaders should always assess which “colors” of the foreign context they are willing to adopt and in what situations they want to show their “true colors”. Hence, compromising between one’s own and the others’ way in certain practices, depending on what the situation requires and where it seems appropriate, convenient, or beneficial, is alright, provided that one will not act against one’s personal *value* concepts that lie below the surface.<sup>293</sup>

Furthermore, leaders should encourage HR and other responsible bodies to provide employees, especially expatriate leaders, with regular and above all effectively designed training programs in order to reach sustainable cross-cultural training effects.<sup>294</sup>

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<sup>293</sup> Cf. Figure 5.1.1: The Iceberg Model.

<sup>294</sup> As to what it takes to construct truly effective training programs, cf. Chapter 5.2.

Executives should act as a mouthpiece to highlight the significance of cultural diversity as a challenging economic factor that will become even more relevant in the future. They should do so by emphasizing the necessity of a *proactive* approach to address this issue during which initiating, motivating, and participative leadership will play a central role. The fact that the whole business landscape (comprising organizations, employees, business partners, markets, and - most importantly - customers) is much diversified presents not only a challenge, but also a great opportunity. Cultural diversity, especially when combined with a strong customer focus, represents a valuable tool to leverage synergies by bundling cultural strengths. An organization`s culturally diverse staff will be able to use their respective cultural expertise to anticipate their customers` innumerable needs, thereby enabling the entrance into new markets (cf. *Human Capital Theory*). Besides the benefits of innovative and customized product development, effects of transformed leadership styles and altered organizational structures also show evidence of competitive advantages reaped by cultural diversity.<sup>295</sup>

All things considered, the following can be adhered to: Diversity management has to be viewed as a driving force to explore and make use of associated synergies. Leaders should recognize this potential and - by clearly communicating it and furthermore identifying and putting into practice methods to generate those synergies - they will be able to get their organization one step ahead, as reality shows that many companies do not yet comprehend the true potential of diversity. Instead they understand the purpose of diversity management solely with regard to reducing difficulties and risks that arise from cultural differences. However, by only focusing on decreasing discrimination or misunderstandings, they forego the opportunity of promoting diversified viewpoints to foster innovative approaches.

Before concluding this chapter, it should be observed that the interview method applied within the scope of this thesis does not allow for any quantification of the value of diversity, but provides only qualitative arguments instead. It is indeed difficult to convert and evaluate the effects of cultural diversity in terms of monetary value, since diversity embodies such a broad concept, including so many implicit aspects that are hard to precisely grasp. However, against the backdrop of new markets, it may be possible to calculate the additional sources of revenue from certain customer segments that could only be tapped into *because* of the divergent human capital that mirrors the rich cultural landscape within the MNC and thereby creates a versatile range of products and services. Thus, the company is capable of serving the manifold needs of equally diverse customers. Leaders should pick up on this idea, encouraging

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<sup>295</sup> See Köppel and Sandner, p. 84.

their organization to develop a method to actually measure the profit that can be ascribed to the positive effects of cultural diversity. As hard figures are much more explicit and count especially in the financial world in which their handling is more than common practice, those could be directly communicated to the staff. These numbers would mean a confirmation for upper management that diversity management proves effective at all and would also facilitate reconciliation and investigation methods for target-performance comparison in order to assess where there is still some untouched potential to be exploited and where diversity management does not yet function properly. For the contributors to the respective profits this would also present a confirmation of their rendered performance, while possible critics who are still skeptical towards the diversity approach may be convinced that it is worthwhile investing in the consideration of many different practical approaches.

## 8 Conclusion

*"The people of the world are bigoted and unenlightened: invariably they regard what is like them as right, what is different from them as wrong. They do not realize that the types of humanity are not uniform, that it is not only impossible to force people to become different but also impossible to force them to become alike."*

These "wise words" date back to Yung Chen, Emperor of China during the early 18<sup>th</sup> century. They quite suitably conclude the discourse of this paper – comprising the prevailing cultural variety and the resulting difficulties, be it unconscious biases, misunderstandings or ignorance, when those diversified cultures "clash". This quote intends to underscore one more time the importance of essential prerequisites for successful intercultural relationships. These demand high degrees of flexibility, sensitivity, adaptability, and mostly tolerance from all parties involved – all of which can be subsumed under the umbrella concepts of *cultural intelligence* or *intercultural competencies*. Particularly in the context of intercultural business communication, these personal qualities and skills represent absolutely indispensable characteristics and hence the qualifying criteria for distinguishing an excellent leader from a mediocre when it comes to *global* leadership effectiveness. They can be regarded as the "unique selling proposition" among leaders, so to speak, that will help them stand out from the crowd. Taking a sector-specific look, leaders will particularly face global challenges in the financial services industry, as the latter is transformed by the use of new technologies, shifting client expectations and needs, more complex regulations, and increasing competition from new market entrants.

MNCs must know when and most of all how to employ multicultural teams as demanded by business conditions. It is crucial for MNCs to be aware that multinational executive teams likewise present both potential competitive advantages as well as challenges to effective interaction and integration that may even annihilate their potential benefits. Probably the greatest advantage of multicultural teams is presented by the generation of more innovative, higher-quality solutions to global business problems when different pieces of information and frames of references are brought together – and thereby an immediate awareness of different viewpoints and values that makes it possible to counteract negative effects of cultural differences much more swiftly and effectively. Difficulties among team members may arise due to their cultural imprints and their associated different interpretations of the "global picture". Resulting from this, disagreements on adequate practices, and sometimes even omitted action due to that lack of consensus, might strongly impede successful team work if diverging viewpoints cannot be sufficiently reconciled. The art lies in managing

the balancing act of this paradox by identifying the incidents of cultural impacts on group processes and determining how to best deal with those differences.

Theories and models of CQ suggest to organizations a focus on and the provision of effective experiential learning possibilities for global leaders, rather than solely offering cross-cultural experience through international assignments or cross-cultural knowledge through manuals and seminars. In this process it is important for HR managers to recognize the different capabilities of individuals to learn from their experience, depending on their level of CQ. Only then will there be a proper assessment of adequate supplementary experiences or developmental methods needed by leaders to strengthen and promote their cultural intelligence.

The evaluation of the interviews with executives from the financial industry showed that their corporate cultures do integrate multi-cultural aspects. This is hardly surprising insofar as they work at renowned MNBs which have to assert themselves on the global market. Therefore these results are only consistent with the prevailing findings on the prerequisites for effective business operations in today`s globalized world. However, there is still some way to go to make more or better use of resources arising from cultural diversity. There are still gaps to be closed between the status quo of organizational practices and those that are desired – in order to achieve this, first of all awareness has to be strengthened about the different cultural mindsets, belief and value systems that are involved in the process. Building on this foundation, the global leader has to take the intermediating role of a *cultural broker* and appraise how to best bridge cultural distance by finding a compromise between adaptation strategies and the “conservation” of the MNB`s dominant home culture to establish work practices that best fit the prevailing situational and cultural conditions.

The overall findings of this thesis provide the following implications for further research: Lessons learned from literature should be combined with practical experience, which is e.g. captured via interviewing methods as it was done within the scope of this paper, with the aim to construct more efficient cross-cultural training programs for global executives. The effectiveness of those trainings presents a determining factor especially for expatriates since these face the additional barrier of culture shock. Considering talent management, skill and character assessment tests used for employee selection and development should be designed in a way that they incorporate attributes on the basis of which not only the candidate`s level of EQ but also his level of CQ can be evaluated. This would present a highly valuable tool for HR to find and train cross-culturally effective leaders since it has already been clearly shown that cultural intelligence is *the* asset for future global business and leadership.

# Appendix

## Interview Questionnaire, including Literature Recommendation

- Table 1:** Cultural Clusters Classified on Societal Culture Practices Scores
- Table 2:** CLT Scores for Societal Clusters
- Table 3:** Summary of Comparisons for CLT Leadership Dimensions
- Table 4:** Country Scores on Cultural Practices
- 
- Figure 1:** The Model of Cross-Cultural Competence in International Business
- Figure 2:** The Four Factor Model of Cultural Intelligence
- Figure 3:** The Global Leadership Competency Model
- Figure 4:** The Pyramid Model of Global Leadership
- Figure 5:** Assessment Tool for CQ
- Figure 6:** Experiential Learning Theory (ELT)
- Figure 7:** Different Phases of Cultural Learning
- Figure 8:** A Model of Cultural Learning
- Figure 9:** CQ 8 Poles Assessment

**- Interview -**

In the context of my Bachelor Thesis on

**“Cross-Cultural Leadership in the Financial Industry – the  
impact of Globalization on Corporate Culture and Leadership  
Effectiveness in Multinational Banks”**

Dear Mr. / Mrs. \_\_\_\_\_ ,

Thank you very much in advance for completing this questionnaire.

Your answers will be utilized in *anonymized* form only, i.e. neither your name nor the name of the financial institution you are working for will be listed in the paper – solely your leadership position will be of relevant interest.

If you have any questions concerning the way of reply to this interview questionnaire, please feel free to contact me anytime, either via

email: [sarah.goehre@gmail.com](mailto:sarah.goehre@gmail.com)

or

phone: (0049)176 – 57633287.

If you are interested in the final result of my thesis paper - please let me know - I will be glad to send you a copy of my Bachelor thesis once it is finished.

I highly appreciate your time and effort as the results from this interview will be of crucial value for the normative part of my thesis.

Yours sincerely,



Sarah Goehre

**"Cross-Cultural Leadership in the Financial Industry - the impact of Globalization on Corporate Culture and Leadership Effectiveness in Multinational Banks"**

- Interview -

**In your personal opinion, what makes an outstanding leader?**

**What is your "number one" key success factor for leading in an international work setting in the financial industry?**

**How exactly do you engage and motivate your team to achieve your goals?**

**What is your nationality** (and what was your nationality at birth if different from your present nationality)?

\_\_\_\_\_

**What is your company`s country of origin** (home country)?

\_\_\_\_\_

**In which countries have you been working** (and in what position)?

Country:	Position:
_____	_____
_____	_____
_____	_____

*(!) For the following questions or tasks that involve issues about your leadership practice in the context of a host country your company is operating in – please choose only one host country, in which you have been in a leadership position heading a multi-cultural work team, for which you will answer all the questions. I suggest you select that country in which you have gained the most insightful experiences while leading in a multinational context.*

Please indicate the host country of your choice here: \_\_\_\_\_

For the host country you chose: **What is/was the rough cultural composition** (i.e. how many different nationalities are/were represented in the team) **of the team you are/were working with? What size is/was your work team?**

\_\_\_\_\_  
\_\_\_\_\_

(list of all nationalities represented in work group)

Size of work group: \_\_\_\_\_ team members

### Leadership Behavior in Multicultural Teams

**How would you describe your *mostly practiced* leadership style in the following contexts?**

Please weight the following styles *according to your personal application* by distributing 100 percentage points among the listed behavior patterns.

My mostly practiced leadership style in (i) the *home country* of my company :

Leadership style	%
<b>authoritarian / directive</b>	
<b>supportive</b>	
<b>participative / democratic</b>	
<b>delegating</b>	
<b>other</b> (please specify): _____	

My mostly practiced leadership style in (ii) a *host country* my company is operating in:

\_\_\_\_\_ (country)

Leadership style	%
<b>authoritarian / directive</b>	
<b>supportive</b>	
<b>participative / democratic</b>	
<b>delegating</b>	
<b>other</b> (please specify): _____	

**Self-Reflection – what you bring along in your “cultural suitcase”**

**To what extent do you agree or disagree with the following statements?**

Please tick the box that best reflects your opinion.

1. I consider the separation of workplace and privacy to be important and necessary.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

2. The compliance of rules and fixed routines displays an essential part of my life.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

3. In order to overcome possible conflicts with colleagues as soon as possible, I consider an outright, “heart-to-heart” talk to be advisable.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

4. It highly bothers me if my dialog partner repeatedly interrupts our meeting with brief phone calls.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

5. I enjoy being part of a team. Still, I want my personal commitment to the team and my contribution to the success of the team to be recognized and appreciated, especially by my boss.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**

6. I generally consider self-initiative and autonomous work to be important attributes.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

7. I can imagine myself going out to eat or to the movies all by myself.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

8. You have several succeeding appointments with important business partners coming up. During your first appointment you catch a delay of 30 minutes. This leads to consequences for the following meetings. You are angered by this situation.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

9. Superiors should be directly approachable for all of their employees.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**  
                                                                 

10. I prefer being forthright about expressing as well as receiving criticism.

**totally agree**      **rather agree**      **rather disagree**      **totally disagree**

**Corporate Culture – Vision/Mission/Strategy & Values/Beliefs/Practices**

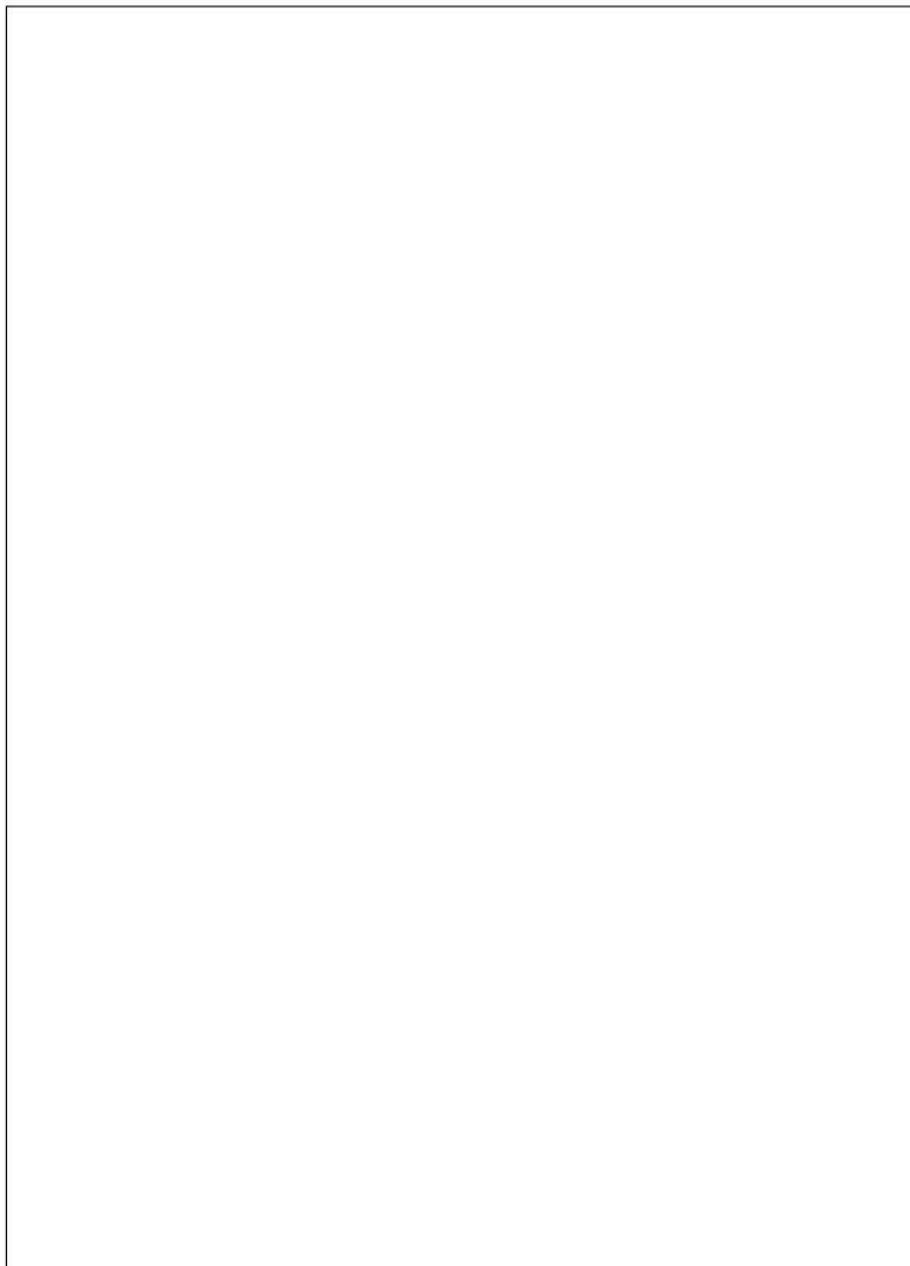
**Please describe your company`s culture in only one sentence.**

**Which multi-cultural aspects are integrated in the *corporate culture* of your company? Which parts of Corporate Culture reflect only the culture of its country of origin? (Please explain briefly.)**

**Managing Cultural Differences – risks and opportunities as two sides of the same coin**

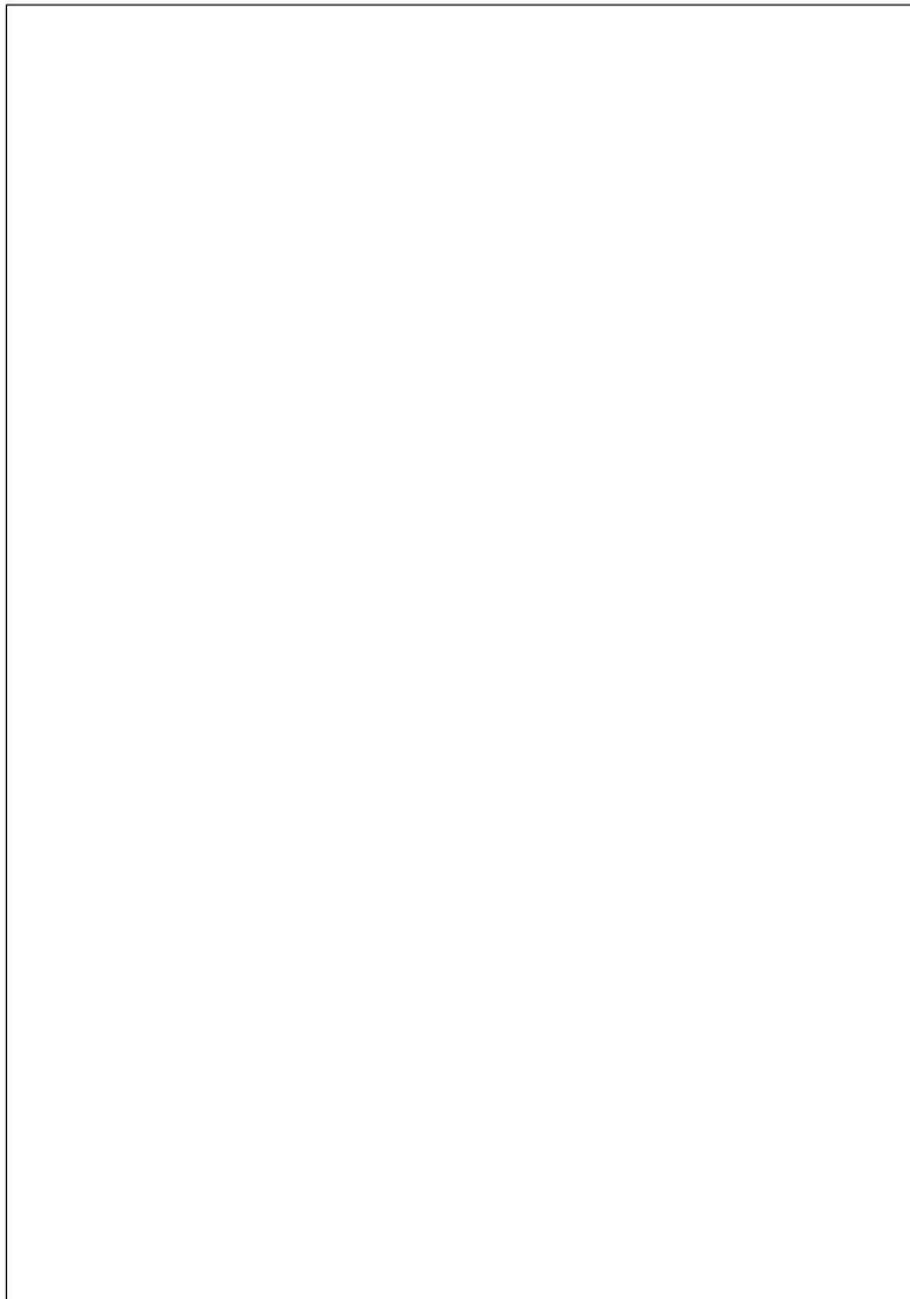
***Minimizing Efficiency Gaps due to Cultural Distance***

**Regarding daily business in your multi-cultural work team: What concrete actions were taken to overcome difficulties resultant from cultural differences? And, moreover, what actions do you think *should* still be taken to overcome these difficulties?**



***Maximizing Potential Synergies thanks to Cultural Diversity***

**Regarding daily business in your multi-cultural work team: What concrete actions were taken to generate advantages resultant from cultural differences? And, moreover, what actions do you think *should* still be taken to utilize the various perspectives that arise from cultural diversity to benefit the corporation?**



### Intercultural Competency

Please rank-order the following attributes with regard to their respective importance towards obtaining *intercultural competency* (with "1" being *the most important* and "6" the *least important*):

[attributes]:

[rank order]:

<b>a) background knowledge about cultural differences</b>	
<b>b) self-competency / self-management</b> (incl. skills, such as flexibility, frustration tolerance, etc.)	
<b>c) self-reflection on own cultural imprint</b>	
<b>d) intercultural Business English</b>	
<b>e) professional knowledge</b>	
<b>f) social competence and work techniques</b> (incl. intercultural communication and cooperation skills)	

Please justify your approach in establishing this rank order. By what criteria were you guided?

**Comparing Cultural Dimensions**

Regarding the following table, please determine score values for each dimension, stating an **AS IS**-value as well as a **SHOULD BE**-value for *both* the home *and* the host country in which your company is operating.

Using a 7-point scale, select a value ranging from "1" to "7", respectively - with "1" being *the lowest* and "7" being *the highest* score possible.

If interested, please see the appendix for a more detailed explanation of the cultural dimensions.

<b>Cultural Dimensions (7-point scale)</b>				
	<b>AS IS (practices)</b>		<b>SHOULD BE (values)</b>	
	home ↓	host ↓	home ↓	host ↓
<b>Power Distance</b> (acceptance of hierarchy)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>In-Group Collectivism</b> (pride, loyalty, cohesiveness in organization or family)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Institutional Collectivism</b> (encouragement of collective distribution of resources by organizational and societal institutions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Uncertainty Avoidance</b> (reliance on established norms, rituals, practices)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Future Orientation</b> (planning, investing in future, delaying gratification)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Gender Egalitarianism</b> (minimizing gender role differences)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Assertiveness</b> (confrontational, aggressive behavior)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Humane Orientation</b> (encouragement of fair, altruistic, caring behavior by organizations or societies)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Performance Orientation</b> (reward for performance improvement and excellence)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Creating *the* exceptional Global Leader

Regarding the following table, please determine a score value for each leadership dimension.

Using a 7-point-scale, select a value ranging from "1" to "7" in each case – with "1" for the lowest rate possible (meaning that this characteristic or behavior greatly *inhibits* a person from being an outstanding leader) and "7" for the highest rate possible, respectively (meaning that this characteristic or behavior *contributes greatly* to a person being an outstanding leader).

If interested, please see the appendix for a more detailed explanation of the leadership dimensions.

<b>CLT leadership profiles</b> <i>(7-point Likert-type scale)</i>  <b>6 dimensions</b> according to GLOBE study	
<b>Charismatic/Value-Based</b> (visionary, inspirational, self-sacrificial)	<input type="checkbox"/>
<b>Team-Oriented</b> (integrative, diplomatic, collaborative)	<input type="checkbox"/>
<b>Participative</b> (involving in decision-making)	<input type="checkbox"/>
<b>Humane-Oriented</b> (supportive, considerate, generous)	<input type="checkbox"/>
<b>Autonomous</b> (independent, individualistic)	<input type="checkbox"/>
<b>Self-Protective</b> (self-centered, face-saving, status conscious)	<input type="checkbox"/>

## Appendix

*For a brief description of the different cultural and leadership dimensions, please read the following definitions taken from "Culture, Leadership, and Organizations. The GLOBE Study of 62 Societies" by House et al. (Thousand Oaks, California: Sage Publications, 2004, pp. 11-14).*

The nine cultural dimensions that were identified as independent variables of Project GLOBE are the following:

**Power Distance** is the degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government.

**In-Group Collectivism** is the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.

**Institutional Collectivism** is the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

**Uncertainty Avoidance** is the extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices.

**Future Orientation** is the degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying individual or collective gratification.

**Gender Egalitarianism** is the degree to which an organization or society minimizes gender role differences while promoting gender equalities.

**Assertiveness** is the degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships.

**Humane Orientation** is the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others.

**Performance Orientation** is the degree to which an organization or society encourages and rewards group members for performance improvement and excellence.

Within the scope of *culturally endorsed implicit leadership theory (CLT)*, GLOBE empirically identified universally perceived leadership attributes that were assumed to either facilitate or to impede outstanding leadership. The following leader attributes or behaviors represent the six *global* leader behaviors that were derived by Project GLOBE from the initially vast amount of attributes they had identified:

***Charismatic/Value-Based Leadership.*** A broadly defined leadership dimension that reflects ability to inspire, to motivate, and to expect high performance outcomes from others based on firmly held core values. The GLOBE Charismatic/Value-Based leadership dimension includes six leadership subscales labeled (a) visionary, (b) inspirational, (c) self-sacrificial, (d) integrity, (e) decisive and (f) performance-oriented.

***Team-Oriented Leadership.*** A leadership dimension that emphasizes effective team building and implementation of a common purpose or goal among team members. This leadership dimension includes five subscales labeled (a) collaborative team orientation, (b) team integrator, (c) diplomatic, (d) malevolent (reverse scored), and (e) administratively competent.

***Participative Leadership.*** A leadership dimension that reflects the degree to which managers involve others in making and implementing decisions. The GLOBE CLT Participative leadership dimension includes two subscales labeled (a) nonparticipative and (b) autocratic (both reverse scored).

***Humane-Oriented Leadership.*** A leadership dimension that reflects supportive and considerate leadership but also includes compassion and generosity. This leadership dimension includes two subscales labeled (a) modesty and (b) humane orientation.

***Autonomous Leadership.*** A newly defined leadership dimension that refers to independent and individualistic leadership attributes. This dimension is measured by a single subscale labeled autonomous leadership, consisting of individualistic, independence, autonomous and unique attributes.

***Self-Protective Leadership.*** From a Western perspective, this newly defined leadership behavior focuses on ensuring the safety and security of the individual and group through status enhancement and face saving. This leadership dimension includes five subscales labeled (a) self-centered, (b) status conscious, (c) conflict inducer, (d) face-saver, and (e) procedural.

## - Recommendation -

Presenting **Leadership 2030 – the Megatrends Research**  
by

**HayGroup®**



Steer your organization  
through the  
**perfect storm**

“These are changing times. We wanted to get a clear grasp of exactly what is changing, what the future will look like, and how business leaders need to adapt to cope.”

**Georg Vielmetter**  
Leadership 2030 book author

[Publication information]: Vielmetter, Georg / Sell, Yvonne (2014). "Leadership 2030: The Six Megatrends You Need to Understand to Lead Your Company into the Future." Philadelphia, Pennsylvania: Hay Group Holdings.

“Leadership 2030 uncovers six global ‘megatrends’ that are transforming business organizations and their markets, cultures, systems, and processes.

The book combines unique research, in-depth analysis and topical case studies to provide compelling evidence of the power of each megatrend. It explores the implications of the megatrends for organizations and their leaders, and sets out the skills, capabilities, and attitudes that business leaders will need in the future.

Leadership 2030 aims to help corporate organizations to prepare for the seismic changes on the horizon, and to equip their leaders to cope with the overwhelming complexity they will face as a consequence. [...]

### **What are the megatrends business leaders and organizations need to understand to prepare for the future?**

The six megatrends are:

**1. Globalization 2.0:** Economic power shifts from West to East and a new global middle class emerges, fragmenting markets and intensifying competition.

**2. Environmental crisis:** Sustainability becomes business-critical. Firms will need to overhaul their operating models as environmental concerns move from CSR to the bottom line.

**3. Individualism and value pluralism:** Freedom of choice erodes customer and employee loyalty and transforms workplace motivation.

**4. Digitization:** Work and the workplace go remote, and the boundaries blur between private and working life, as more people around the world embrace digital technology and live their lives online.

**5. Demographic change:** Aging populations reshape the workforce and intensify the war for talent as skill shortages emerge and grow.

**6. Technological convergence:** A powerful tech shift is just around the corner, and set to transform many aspects of our lives, from medicine and nutrition to energy and production.

Each megatrend will create tough challenges and enormous complexity for organizations and leaders. Leadership 2030 is the first book to analyze all six of these developments, examine how they interact, and explore their specific implications for business organizations and leaders. [...]

#### **What are the implications for organizations of the six megatrends in combination?**

Of course, the megatrends do not develop in isolation. They evolve in parallel, each one reinforcing the others, greatly intensifying the difficulties for business leaders.

Combined, the megatrends will result in a series of reinforcers (consequences driven and strengthened by several megatrends at once) and dilemmas for organizations to come to terms with.

#### **Reinforcers:**

**1. Stakeholder proliferation:** Leaders must be sensitive to the expectations of a rapidly expanding network of stakeholders.

**2. Power shift:** Leaders' power will shift to their various stakeholders, reducing their authority to lead organizations through the challenges at hand.

**3. New working practice:** A new 'social practice' of work will emerge as work and the workplace go mobile; the boundaries between personal and professional life break down; and a resistance to formal authority takes hold.

**4. Cost explosion:** Businesses' costs will mushroom, due to a scarcity of talent and natural resources; the need to research, develop and deploy highly advanced technology; and the demands of globalization.

**5. Ethicization of business:** Societal concerns over the environment and new technologies, combined with the transparency of the digital era, will demand the highest ethical standards of organizations and their leaders.

**Dilemmas:**

- 1. Mobility:** While globalization drives a greater need and desire to travel, environmental concerns will demand that travel is drastically reduced.
- 2. Resources:** Scarcity of natural resources will coincide with spiraling demand for them.
- 3. Hierarchies:** Complexity generates more intricate structures, yet growing individualism will call for flatter organizations.
- 4. Horizons:** The immediacy of the digital era is at odds with the need for long-term solutions to climate change.

**How will the megatrends impact business leaders?**

The demands on the business leaders of the future will be onerous. Leaders will need to be adept conceptual and strategic thinkers, possess integrity and intellectual openness, and be able to find new ways of generating loyalty. They will be tasked with leading increasingly diverse, independent and remote teams, over which they may lack direct authority. And they must be ready to relinquish personal power in favor of collaborative approaches – not just within their organizations, but with external partners and even competitors.

This 'post-heroic' leadership style, and the combination of skills and qualities it demands, will require leaders to abandon much of the thinking and behavior that may have propelled them to the top of their organizations in the first place. Failure to adapt may mean losing the race for innovation, the war for talent and the competition for new markets.

**What will characterize successful leaders in the future?**

To lead their organizations to success in the face of the megatrends, the leaders of the future will need to be 'altrocentric'.

Altrocentric is the opposite of egocentric (ego meaning self in Latin, alter meaning the other). The defining attribute of altrocentric leaders is a focus on and concern for others rather than themselves.

This does not mean that altrocentric leaders have no ego. On the contrary, they are confident individuals with strong personalities. But they know how to take their ego out of the picture. They see themselves as just one integral part of a greater whole.

**How do altrocentric leaders differ from those of the past?**

Leadership has been traditionally defined in a one-dimensional way: leaders lead, and followers follow. Individuals either possess leadership qualities, or they don't. In this context, a command-and-control, do-as-I-say, 'alpha-male' style of leadership has

become dominant, and been accepted as the norm. But this will prove ineffective in an environment transformed by the megatrends.

By contrast, altrocentric leaders have a more intuitive understanding of leadership, one which is better suited to the complexities of the megatrends. They display high degrees of empathy, maturity, integrity, openness and self-awareness. They strive for the highest ethical standards. They are skilled strategic thinkers that know how to creating meaning for their teams and their workforces. [...]”

[Source]: [http://www.haygroup.com/downloads/microsites/l2030/leadership\\_2030\\_questions\\_and\\_answers.pdf](http://www.haygroup.com/downloads/microsites/l2030/leadership_2030_questions_and_answers.pdf)

You can read more about the megatrends at: [www.haygroup.com/leadership2030](http://www.haygroup.com/leadership2030)

The screenshot shows the Hay Group Leadership 2030 website. The header includes the Hay Group logo and the title 'Hay Group | Leadership 2030'. The navigation menu contains 'Home', 'About the megatrends', 'Press center', 'Videos', and 'Contact us'. The main content area is divided into several sections: a large banner for 'The perfect storm as forecast by its authors' with a 'Click here to view video' button; a 'Download an excerpt' section for the book 'LEADERSHIP 2030'; a 'Purchase the book' section with an Amazon link; a 'Learn more' section about megatrends; and a 'Watch now' section for a video. The footer includes social media links (LinkedIn, Twitter, Google+, Facebook, YouTube), contact information, and site information.

On Hay Group`s website you can also find a survey in which you may participate that will let you assess how well you as a leader and your organization are prepared for the challenges of the future...

The *Leadership 2030* survey can be accessed under:

[http://www.haygroup.com/surveys/Leadership\\_2030/](http://www.haygroup.com/surveys/Leadership_2030/)

**Leadership 2030 survey** **HayGroup®**

**Questions about you:**

\* Name

\* Job title

\* Email

**▶ Continue**

**Note about returning to survey**  
If necessary, you will be able to exit the survey at any point and return later to finish the survey. To enter your survey again, please fill in the Name and Email fields identical to what you entered before.

### Survey introduction

Imagine you are running your current organization in 2030. What do you wish you had thought of in 2013?

Hay Group has conducted research into how the world will be different in the future and how the changes will affect your organization. The best companies are preparing for the future now. Take our short questionnaire to see how prepared your organization is for the future.

Completing the questionnaire will only take 10 minutes. After completing, you will be able to view and print an overview of how well your organization is prepared for the challenges of the future. You'll be asked some questions about your organization, then 10 short questions on how prepared your organization is for the future.

**▶ Questions?****▶ Forward to a friend**

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If you have a short time slot available, take the opportunity to complete this quick survey. The results should be of personal interest to you and might also provide you with some useful guidance relating to the right setup for your company which will ensure successful navigation through the “perfect storm” when the magnitude of the megatrends will be entirely palpable.

Needless to say, I would very much welcome it if you could forward me the overview of your survey results as they would support me in my analysis. Naturally, here again, neither your name nor the name of your organization will be mentioned in my research paper.

Let me conclude by thanking you again for your time and contribution and by wishing you the very best for your professional as well as your private future.

Kind regards,

*Sarah Göhne*

**Table 1: Cultural Clusters Classified on Societal Culture Practices (As Is) Scores<sup>296</sup>**

Cultural Dimension	High-Score Clusters	Mid-Score Clusters	Low-Score Clusters	Cluster-Average Range
Performance Orientation	<b>Confucian Asia</b>	Southern Asia	<b>Latin America</b>	3.73–4.58
	Germanic Europe	Sub-Saharan Africa	Eastern Europe	
	<b>Anglo</b>	<b>Latin Europe</b>		
		Nordic Europe		
Assertiveness	Germanic Europe	Sub-Saharan Africa	Nordic Europe	3.66–4.55
	Eastern Europe	<b>Latin America</b>		
		<b>Anglo</b>		
		<b>Middle East</b>		
		<b>Confucian Asia</b>		
		<b>Latin Europe</b>		
Future Orientation	Germanic Europe	<b>Confucian Asia</b>	<b>Middle East</b>	3.38–4.40
	Nordic Europe	<b>Anglo</b>	<b>Latin America</b>	
		Southern Asia	Eastern Europe	
		Sub-Saharan Africa		
		<b>Latin Europe</b>		
Humane Orientation	Southern Asia	<b>Middle East</b>	<b>Latin Europe</b>	3.55–4.71
	Sub-Saharan Africa	<b>Anglo</b>	Germanic Europe	
		Nordic Europe		
		<b>Latin America</b>		
		<b>Confucian Asia</b>		
		Eastern Europe		
Institutional Collectivism	Nordic Europe	<b>Anglo</b>	Germanic Europe	3.86–4.88
	<b>Confucian Asia</b>	Southern Asia	<b>Latin Europe</b>	
		Sub-Saharan Africa	<b>Latin America</b>	
		<b>Middle East</b>		
In-Group Collectivism	Southern Asia	Sub-Saharan Africa	<b>Anglo</b>	3.75–5.87
	<b>Middle East</b>	<b>Latin Europe</b>	Germanic Europe	
	Eastern Europe		Nordic Europe	
	<b>Latin America</b>			
	<b>Confucian Asia</b>			
Gender Egalitarianism	Eastern Europe	<b>Latin America</b>	<b>Middle East</b>	2.95–3.84
	Nordic Europe	<b>Anglo</b>		
		<b>Latin Europe</b>		
		Sub-Saharan Africa		
		Southern Asia		
		<b>Confucian Asia</b>		
Power Distance		Germanic Europe		4.54–5.39
		Southern Asia	Nordic Europe	
		<b>Latin America</b>		
		Eastern Europe		
		Sub-Saharan Africa		
		<b>Middle East</b>		
		<b>Latin Europe</b>		
	<b>Confucian Asia</b>			
Uncertainty Avoidance	Nordic Europe	<b>Confucian Asia</b>	<b>Middle East</b>	3.56–5.19
	Germanic Europe	<b>Anglo</b>	<b>Latin America</b>	
		Sub-Saharan Africa	Eastern Europe	
		<b>Latin Europe</b>		
		Southern Asia		

NOTE: Means of high-score clusters are significantly higher ( $p < 0.05$ ) than the rest, means of low-score clusters are significantly lower ( $p < 0.05$ ) than the rest, and means of mid-score clusters are not significantly different from the rest ( $p > 0.05$ ).

<sup>296</sup> Table 1 taken from Javidan et al. (2006), p. 71.

**Table 2: CLT Scores for Societal Clusters<sup>297</sup>**

Societal Cluster	CLT Dimensions					
	Charismatic/ Value-Based	Team Oriented	Participative	Humane Oriented	Autonomous	Self-Protective
Eastern Europe	5.74	5.88	5.08	4.76	4.20	3.67
Latin America	5.99	5.96	5.42	4.85	3.51	3.62
Latin Europe	5.78	5.73	5.37	4.45	3.66	3.19
Confucian Asia	5.63	5.61	4.99	5.04	4.04	3.72
Nordic Europe	5.93	5.77	5.75	4.42	3.94	2.72
Anglo	6.05	5.74	5.73	5.08	3.82	3.08
Sub-Sahara Africa	5.79	5.70	5.31	5.16	3.63	3.55
Southern Asia	5.97	5.86	5.06	5.38	3.99	3.83
Germanic Europe	5.93	5.62	5.86	4.71	4.16	3.03
Middle East	5.35	5.47	4.97	4.80	3.68	3.79

NOTE: CLT leadership scores are absolute scores aggregated to the cluster level.

**Table 3: Summary of Comparisons for CLT Leadership Dimensions<sup>298</sup>**

Societal Cluster	CLT Leadership Dimensions					
	Charismatic/ Value-Based	Team-Oriented	Participative	Humane Oriented	Autonomous	Self-Protective
Eastern Europe	M	M	L	M	H/H	H
Latin America	H	<b>H</b>	M	M	L	M/H
Latin Europe	M/H	M	M	L	L	M
Confucian Asia	M	M/H	L	M/H	M	H
Nordic Europe	H	M	H	L	M	<b>L</b>
Anglo	<b>H</b>	M	H	H	M	L
Sub-Sahara Africa	M	M	M	H	L	M
Southern Asia	H	M/H	L	<b>H</b>	M	<b>H/H</b>
Germanic Europe	H	M/L	<b>H</b>	M	<b>H/H</b>	L
Middle East	<b>L</b>	L	L	M	M	<b>H/H</b>

NOTE: For letters separated by a “/”, the first letter indicates rank with respect to the absolute score, second letter with respect to a response bias corrected score.

H = high rank; M = medium rank; L = low rank.

H or L (bold) indicates Highest or Lowest cluster score for a specific CLT dimension.

<sup>297</sup> Table 2 taken from Javidan et al. (2006), p. 74.

<sup>298</sup> Table 3 taken from Javidan et al. (2006), p. 74.

**Table 4: Country Scores on Cultural Practices<sup>299</sup>**

<b>Performance Orientation</b>	Anglo Cultures	Latin Europe	Middle East Cultures	Confucian Asia	Latin America
	<b>USA 4.49</b>	<b>France 4.11</b>	<b>Egypt 4.27</b>	<b>China 4.45</b>	<b>Brazil 4.04</b>
	Canada 4.49	Israel 4.08	Kuwait 3.95	Hong Kong 4.80	Bolivia 3.61
	England 4.08	Italy 3.58	Morocco 3.99	Japan 4.22	Argentina 3.65
	Ireland 4.36	Portugal 3.60	Qatar 3.45	Singapore 4.90	Colombia 3.94
	New Zealand 4.72	Spain 4.01	Turkey 3.83	South Korea 4.55	Costa Rica 4.12
	South Africa (W) 4.11	Swiss (French) 4.25		Taiwan 4.56	Ecuador 4.20
	Australia 4.36				El Salvador 3.72
					Guatemala 3.81
					Mexico 4.10
					Venezuela 3.32
<b>Future Orientation</b>	Anglo Cultures	Latin Europe	Middle East Cultures	Confucian Asia	Latin America
	<b>USA 4.15</b>	<b>France 3.48</b>	<b>Egypt 3.86</b>	<b>China 3.75</b>	<b>Brazil 3.81</b>
	Canada 4.44	Israel 3.85	Kuwait 3.26	Hong Kong 4.03	Bolivia 3.61
	England 4.28	Italy 3.25	Morocco 3.26	Japan 4.29	Argentina 3.08
	Ireland 3.98	Portugal 3.71	Qatar 3.78	Singapore 5.07	Colombia 3.27
	New Zealand 3.47	Spain 3.51	Turkey 3.74	South Korea 3.97	Costa Rica 3.60
	South Africa (W) 4.13	Swiss (French) 4.27		Taiwan 3.96	Ecuador 3.74
	Australia 4.09				El Salvador 3.80
					Guatemala 3.24

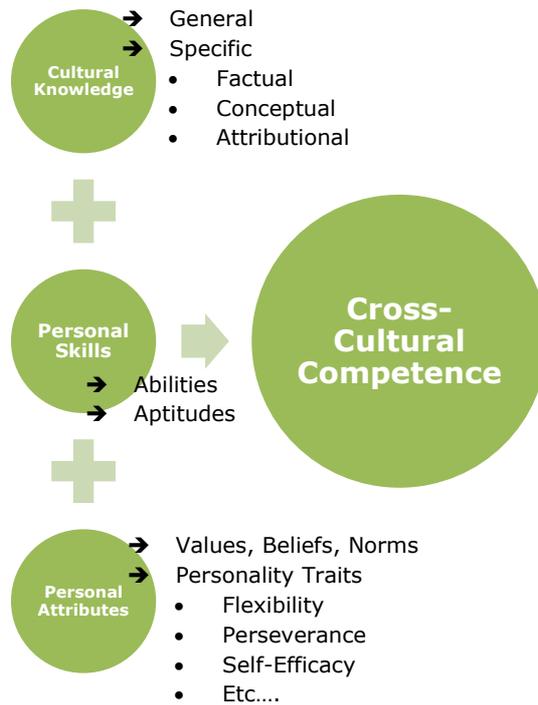
(table continued on the next pages)

<sup>299</sup> Table 4 taken from Javidan et al. (2006), pp. 86-88.

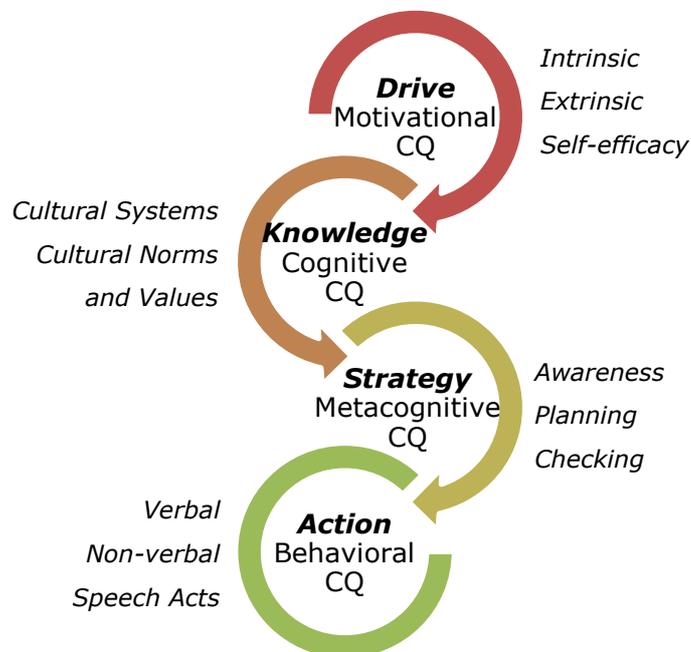
					Mexico 3.87
					Venezuela 3.35
<b>Assertiveness Orientation</b>	Anglo Cultures	Latin Europe	Middle East Cultures	Confucian Asia	Latin America
	<b>USA 4.55</b>	<b>France 4.13</b>	<b>Egypt 3.91</b>	<b>China 3.76</b>	<b>Brazil 4.20</b>
	Canada 4.05	Israel 4.23	Kuwait 3.63	Hong Kong 4.67	Bolivia 3.79
	England 4.15	Italy 4.07	Morocco 4.52	Japan 3.59	Argentina 4.22
	Ireland 3.92	Portugal 3.65	Qatar 4.11	Singapore 4.17	Colombia 4.20
	New Zealand 3.42	Spain 4.42	Turkey 4.53	South Korea 4.40	Costa Rica 3.75
	South Africa (W) 4.60	Swiss (French) 3.47		Taiwan 3.92	Ecuador 4.09
	Australia 4.28				El Salvador 4.62
					Guatemala 3.89
					Mexico 4.45
					Venezuela 4.33
<b>Societal Collectivism</b>	Anglo Cultures	Latin Europe	Middle East Cultures	Confucian Asia	Latin America
	<b>USA 4.20</b>	<b>France 3.93</b>	<b>Egypt 4.50</b>	<b>China 4.77</b>	<b>Brazil 3.83</b>
	Canada 4.38	Israel 4.46	Kuwait 4.49	Hong Kong 4.13	Bolivia 4.04
	England 4.27	Italy 3.68	Morocco 3.87	Japan 5.19	Argentina 3.66
	Ireland 4.63	Portugal 3.92	Qatar 4.50	Singapore 4.90	Colombia 3.81
	New Zealand 4.81	Spain 3.85	Turkey 4.03	South Korea 5.20	Costa Rica 3.93
	South Africa (W) 4.62	Swiss (French) 4.22		Taiwan 4.59	Ecuador 3.90
	Australia 4.29				El Salvador 3.71
					Guatemala 3.70
					Mexico 4.06
					Venezuela 3.96
<b>In-Group Collectivism</b>	Anglo Cultures	Latin Europe	Middle East Cultures	Confucian Asia	Latin America
	<b>USA 4.25</b>	<b>France 4.37</b>	<b>Egypt 5.64</b>	<b>China 5.80</b>	<b>Brazil 5.18</b>
	Canada 4.26	Israel 4.70	Kuwait 5.80	Hong Kong 5.32	Bolivia 5.47
	England 4.08	Italy 4.94	Morocco 5.87	Japan 4.63	Argentina 5.51
	Ireland 5.14	Portugal 5.51	Qatar 4.71	Singapore 5.64	Colombia 5.73
	New Zealand 3.67	Spain 5.45	Turkey 5.88	South Korea 5.54	Costa Rica 5.32
	South Africa (W) 4.50	Swiss (French) 3.85		Taiwan 5.59	Ecuador 5.81
	Australia 4.17				El Salvador 5.35
					Guatemala 5.63
					Mexico 5.71
					Venezuela 5.53
<b>Humane Orientation</b>	Anglo Cultures	Latin Europe	Middle East Cultures	Confucian Asia	Latin America
	<b>USA 4.17</b>	<b>France 3.40</b>	<b>Egypt 4.73</b>	<b>China 4.36</b>	<b>Brazil 3.66</b>
	Canada 4.49	Israel 4.10	Kuwait 4.52	Hong Kong 3.90	Bolivia 4.05
	England 3.72	Italy 3.63	Morocco 4.19	Japan 4.30	Argentina 3.99
	Ireland 4.96	Portugal 3.91	Qatar 4.42	Singapore 3.49	Colombia 3.72
	New Zealand 4.32	Spain 3.32	Turkey 3.94	South Korea 3.81	Costa Rica 4.39



**Figure 1: The Model of CC in International Business<sup>300</sup>**



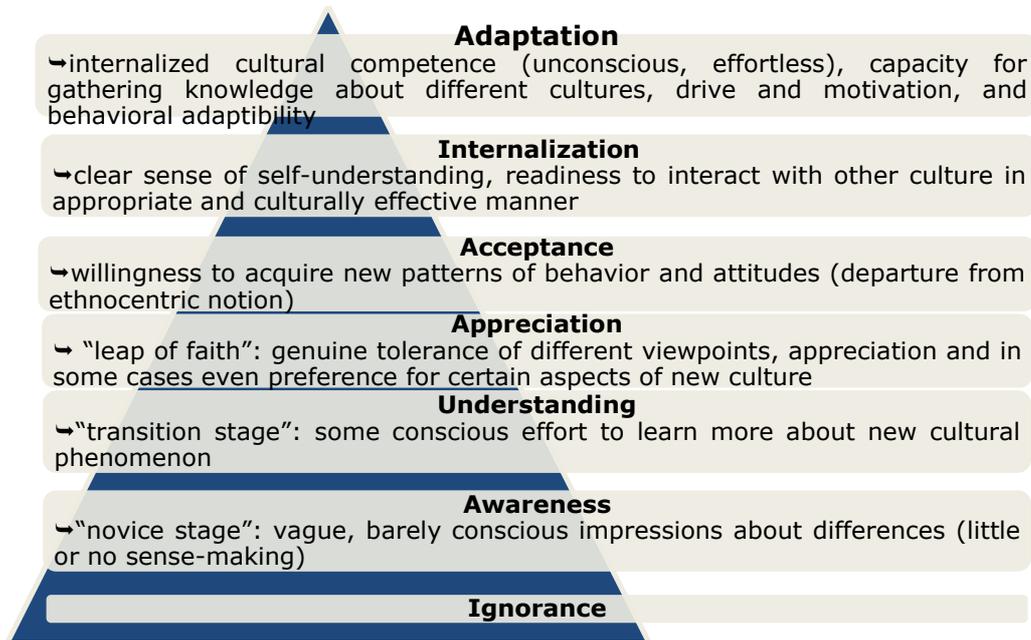
**Figure 2: The Four Factor Model of Cultural Intelligence<sup>301</sup>**



<sup>300</sup> Own illustration adapted from Johnson, Lenartowicz, and Apud (2006), p. 533.

<sup>301</sup> Own illustration adapted from Van Dyne, Ang, and Livermore (2010), p. 45.

**Figure 3: The Global Leadership Competency Model<sup>302</sup>**



**Figure 4: The Pyramid Model of Global Leadership<sup>303</sup>**



<sup>302</sup> Own illustration adapted from Chin and Gaynier (2006).

<sup>303</sup> Own illustration adapted from Bird and Osland (2004), p. 67.

**Figure 5: Assessment Tool for CQ<sup>304</sup>**

or multiple time zones away. Cultural intelligence is needed when pastoring a church or leading faith formation in multicultural America, leading a ministry that serves various generational cultures, participating in short-term mission trips, or figuring out the organization dynamics of ministry where we serve.

### Works Cited

Livermore, David. *Cultural Intelligence: Improving Your CQ to Engage Our Multicultural World*. Grand Rapids: Baker Academic, 2009.

## Assessment Tool

Use the following assessment tool to start thinking about your own CQ. Identify a particular culture in your church community as a frame of reference: ethnic, generational socio-economic, and so on. Review the description of the four dimensions of cultural intelligence before you begin. Rate yourself on the following scale: 1 = none of this fits me, 2 = some of this fits me, 3 = most of the description fits me, 4 = all of this description fits me.

### CQ Drive

1 2 3 4

*I am motivated to learn and adapt to new and diverse cultural settings. I enjoy meeting people of different cultural backgrounds. I am confident in my adaptive abilities to perform in multicultural situations.*

### CQ Knowledge

1 2 3 4

*I generally understand culture and how it affects the way people think and behave. I know about the basic ways that cultures are alike and different.*

### CQ Strategy

1 2 3 4

*I draw on my cultural understanding to plan and interpret what's going on in a situation. I am able to monitor, analyze, and adjust my behaviors in different cultural settings.*

### CQ Action

1 2 3 4

*I have the ability to engage in effective, flexible leadership for a task. I am able to use a variety of behaviors, such as verbal and nonverbal communication, depending on the context.*

### Reflect

- Which of the four dimensions of cultural intelligence are strengths for you?
- Which of the four dimensions of cultural intelligence do you need to improve?
- How can you plan for improvement?

### Study

- Read: *Cultural Intelligence: Improving Your CQ to Engage our Multicultural World*. David Livermore. Grand Rapids: Baker Academic, 2009. (Includes a cultural intelligence self-assessment.)
- Read: *Leading with Cultural Intelligence: The New Secret to Success*. David Livermore. New York: American Management Association, 2010.
- Review the strategies for advancing your CQ in chapter 15 of *Cultural Intelligence* and chapter 8 in *Leading with Cultural Intelligence*.
- Watch: David Livermore's video presentation: [www.youtube.com/watch?v=SMi7yhHjASQ](http://www.youtube.com/watch?v=SMi7yhHjASQ)
- Check out the resources online at Cultural Intelligence Center, <http://culturalq.com>, and at <http://davidlivermore.com/cq>.

## Improving Your Cultural Intelligence

(Summarized from Chapter 15 in *Cultural Intelligence: Improving Your CQ to Engage our Multicultural World* by David Livermore, Baker Academic, 2009)

### Core Commitments

*Regardless of where you are in your own journey toward cultural intelligence, the following core commitments need to guide your perspective on how we think about advancing cultural intelligence in ourselves and others.*

- Start the anthropological dig in your own soul. We have to first understand who we are before we can understand another.
- Root your view of the Other in the Imago Dei. If we view others as also created in the image of God it will shape how we relate.
- Seek first the Kingdom of God. We cannot separate our relating to others from our commitment to be Christians.

<sup>304</sup> Assessment instructions taken from Van Dyne, Ang, and Livermore (2010), pp. 50-51.

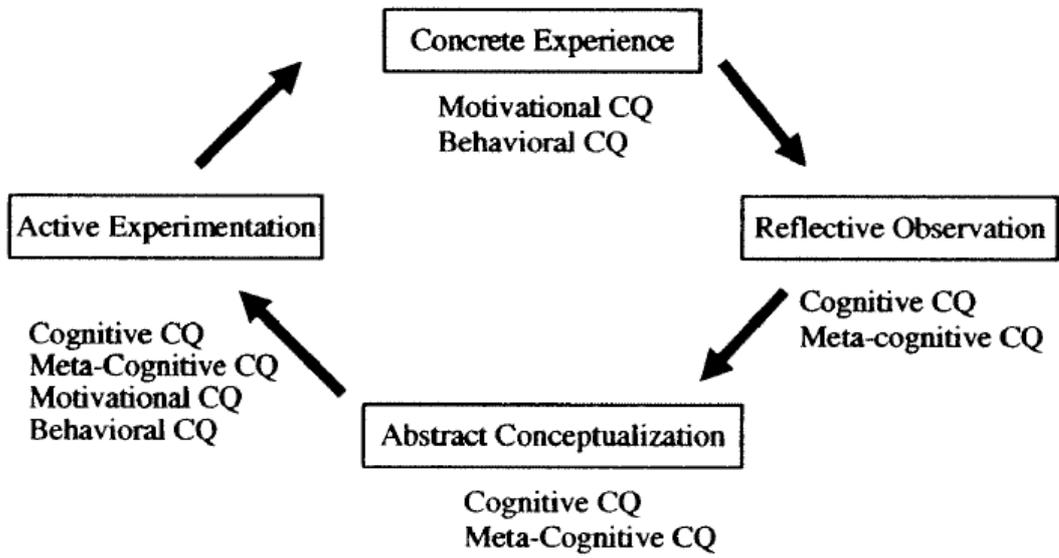
- Live up close. Relationships—of all sorts—are messy. You have to live in relationship, seeking to engage the Other, not just observe from a distance.

## Practices for Increasing CQ

*With those core commitments in mind, let's consider several practices, many of which you may already do, to enhance the development of cultural intelligence in yourself and others. Some of these practices emphasize one of the four factors more than the others, and many of them help develop two or three of the factors simultaneously.*

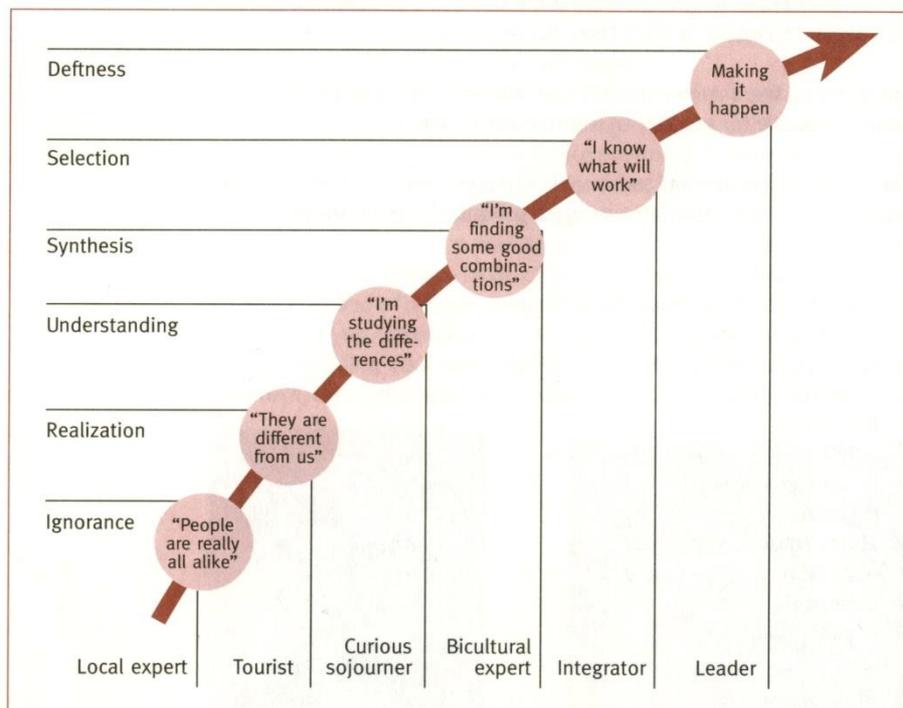
1. *Read.* Read a lot, particularly from authors of different cultural backgrounds and books on subjects different from your own experience.
2. *Go to the movies.* Films can help transform the way we see the Other. Take in films that expose you to other cultures (and languages).
3. *Eat.* Eating foods from other places with people from those places can open up a new world of experience.
4. *Journal.* Writing can play a transformative role in helping us become more aware of ourselves, others, and our surroundings.
5. *Learn a new language.* Another language allows us to see the world differently and communicate with others.
6. *Attend cultural celebrations.* A good way to learn, through experience and participation, about another culture.
7. *Go to the Pride Parade and the Mosque.* Go to gatherings that are least aligned with your own leanings and seek to understand what's behind the beliefs and behaviors of the group.
8. *Be informed.* Americans are notorious for being uninformed of global issues. Be informed.
9. *Look for the invisible.* Look for what is behind what is said or done, ask "how is the cultural informing this?"
10. *Study the Scripture with people from varied cultural perspectives.* It will open our horizons to understand how God works in the lives of others and expand our understand of God and faith.
11. *Always do mission with the "oppressed."* Mission isn't "for," but "with."
12. *Beware of culturally embedded language.* We must anticipate the impact of the words we use.
13. *Speak slowly.* Be attentive to how and in what manner we speak to others.
14. *Observe body language.* We speak in ways other than the spoken word, learn to be literate in those other expressions.
15. *Try mimicry.* Done in a respectful and thoughtful manner, mimicry can help one understand a particular culture.
16. *Find a cultural guide.* Effective cultural guides will use questions to guide us and offer support and feedback.
17. *Formal education.* College and graduate courses, workshops and other educational venues offer a solid foundation for 'real-life experience' in cross-cultural engagement.
18. *Multicultural groups and teams.* Culturally diverse groups offer you the opportunity to observe the behavior of culturally different individuals in the same context.
19. *Overseas experience.* Examining other cultures in-person, while also observing your own "from a distance," is an essential part of developing cultural intelligence.
20. *Attend the wedding ceremony of someone from another culture.* Religious services or special ceremonies help us to learn about other cultures.
21. *Read the local paper, not USA Today, when traveling.* You can gain important insights about a culture by reading about it in real-time.
22. *Walk through the grocery store.* Going through a grocery store in a given place will offer valuable insights about the culture.
23. *Seek out the other.* Look for ways to experience life with people who don't all look like you or see the world the way you do.
24. *Question, question, question.* Ask questions and listen hard.

**Figure 6: Experiential Learning Theory (ELT)<sup>305</sup>**



**Learning Stages in the Experiential Learning Theory and Enabling CQ Capabilities.**

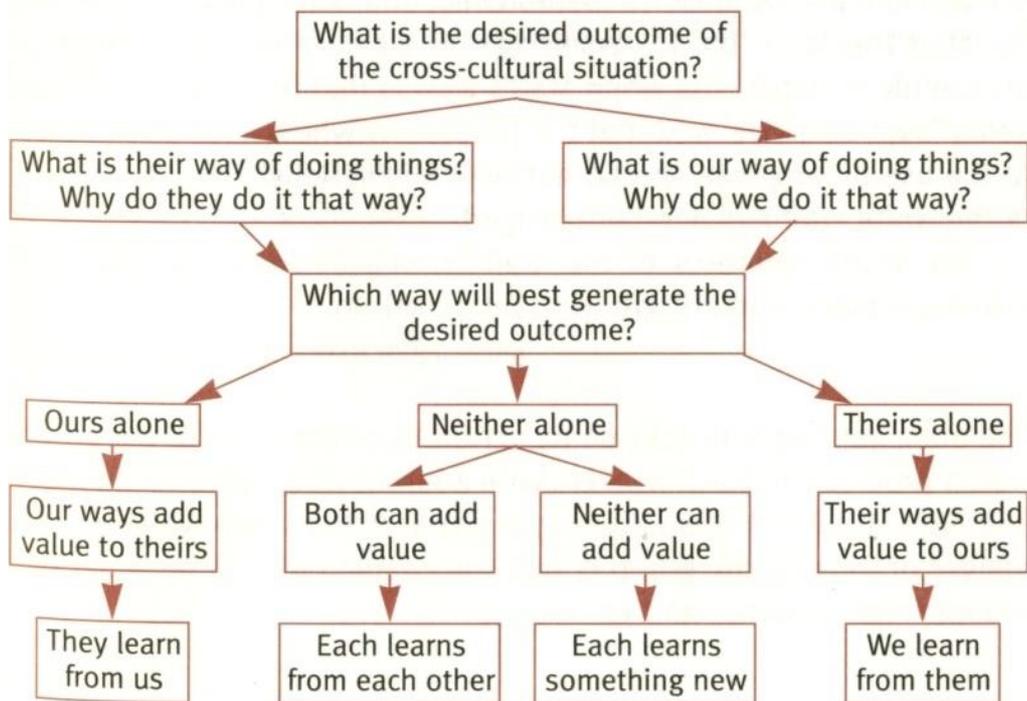
**Figure 7: Different Phases of Cultural Learning<sup>306</sup>**



<sup>305</sup> Illustration taken from Ng, Van Dyne, and Ang (2009), p. 228.

<sup>306</sup> Illustration taken from Clackworthy (1994), p. 14.

**Figure 8: A Model of Cultural Learning**<sup>307</sup>



**Figure 9: CQ 8 Poles Assessment**<sup>308</sup>

## Eight Poles Assessment

Cultural Intelligence is the ability to cross divides and thrive in multiple cultures.

To analyse your own Cultural Intelligence (CQ), you need to ask other leaders who are poles apart from you to help.

**How to complete the assessment**  
 On the following page is a list of questions. Send these questions to other leaders who are different from you. If you can't identify a leader for each of the eight poles, then start with one or two. Finding the others will become part of your CQ journey.

Once you receive their answers, carefully read these (both what they say and what they don't say).

<sup>307</sup> Illustration taken from Hoecklin (1994), p. 81.

<sup>308</sup> Assessment instructions taken from Middleton (2014) as adopted by Common Purpose (2015).

## EIGHT POLES

	<b>NORTH:</b>	A leader from a different <b>Generation</b> , at least 20 years older or younger than you.
	<b>NORTH EAST:</b>	A leader who isn't your <b>Gender</b> .
	<b>EAST:</b>	A leader with a different <b>Faith</b> from you.
	<b>SOUTH EAST:</b>	A leader who has different <b>Politics</b> from you.
	<b>SOUTH:</b>	A leader whose perspective will come from a place over <b>7000 km</b> from you.
	<b>SOUTH WEST:</b>	A leader with significantly less or more experience of <b>Disability</b> than you.
	<b>WEST:</b>	A leader who works in a different <b>Sector</b> from you (Public, Private or NGO).
	<b>NORTH WEST:</b>	A leader born with different perceived <b>Prospects</b> from you.

### QUESTIONS

1. Do you think this person is interested in other cultures?
  2. Does this person have many friends or colleagues who are like you?
  3. Have you ever seen this person stumble in a new culture?
  4. Please indicate who you think this person feels very comfortable being with (choose as many or as little as you like):
    - public/private/NGO sectors
    - own generation/people younger than them/people older than them
    - people of same faith/ people of any faith/people with no faith
    - people of same politics/people of different politics/people of no politics
    - people from own country/people from own continent/people from any continent
    - men/women/people of different sexual orientation
    - able-bodied/disabled
  5. You are going to a difficult meeting involving people with whom you have a lot in common. Would you confidently take this person along with you, knowing that they will be in a minority of one?
  6. Have you ever sensed this person pull back when meeting people?
  7. Do you think this person would say something if they came across cultural intolerance?
  8. Have you ever seen this person recover well from a situation involving someone very different which at first they misjudged?
  9. Is this person actively interested in the views and ideas of people who are very different?
  10. Have you seen this person's interest in people who are very different increase or decrease over time?
  11. Would you describe this person as someone who is open to 'courageous conversations'?
  12. Do you think that this person reveals enough of themselves to others?
  13. Would you describe this person as confident about their own beliefs, values and behaviours?
  14. Does this person take time to understand etiquette, and mostly get it right?
  15. Have you ever seen this person impose their own culture on others?
- And there's one very important final question:
16. Has knowing this person increased your own CQ?

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