



INTERCULTURAL LEADERSHIP: LESSONS FROM LEADERS IN SOUTHEAST ASIA

Over the last 10 years, multinational companies have witnessed significant growth around the world, resulting in ever more heterogeneous and geographically dispersed organizations. Asia Pacific in particular has seen an influx of multinational organizations, while local companies have bulked up by acquiring international market share and leading high-profile acquisitions in Western markets. Traditional executive decision making has been challenged and reshaped by the forces of globalization as employees, clients and suppliers have become more diverse in their cultural backgrounds and expectations about the workplace. Riding the wave of regional growth and leveraging the diversity of its population and cultures, Southeast Asia has been at the forefront of this challenge.

Seeking to learn more about how industrial companies operating in Southeast Asia — with its patchwork of cultural and religious traditions, wide variety of political systems, diverse histories and multitude of languages — build effective multicultural organizations, Spencer Stuart conducted a series of interviews with more than two dozen senior leaders based in Southeast Asia. These conversations revealed the five key qualities that leaders need to be effective in a multicultural environment and the strategies organizations can employ to promote these qualities in their executives.

THE CASE FOR SOUTHEAST ASIA AS A LEARNING GROUND FOR LEADERSHIP

The 10 countries forming the Association of Southeast Asian Nations (ASEAN) are a multicultural patchwork without equal. With 11 official languages among them, Singapore alone has four different official languages: English, Mandarin, Malay and Tamil, together with a multitude of Chinese dialects spoken day-to-day. Religious diversity is a key feature, with Indonesia, the largest Muslim country in the world with 230 million people, mixing with Christian Vietnam and Philippines (175 million people), and Buddhist Thailand, Cambodia and Myanmar (130 million people). And the workforces of these countries are highly mobile and diverse. In Singapore, for example, nearly four out of 10 of the 2.5 million people employed are not Singapore-born.

This diversity can be a source of strength for companies operating in the region, but also requires them to address some critical challenges. The thorniest of these challenges is overcoming individuals' different work and communication styles and deeply held cultural perceptions. This is especially true for industrial companies that can have large blue-collar workforces and extended operational footprints, often away from urbanized areas that have become rather more accustomed to a cultural mix.

THE FIVE COMMON TRAITS OF THE SUCCESSFUL INTERCULTURAL LEADER

Over the course of 25 one-on-one interviews with senior line and human resources leaders based in Southeast Asia from more than 20 different industrial companies, we focused on identifying the key elements that distinguish highly successful leaders in multicultural environments. The discussions were very enriching and the responses surprisingly consistent. In sum, these conversations reinforced our own observations that, in highly multicultural environments, companies that actively embrace cultural diversity and use it as a source of organizational strength will thrive. Intercultural leadership — the ability of individuals and organizations to recognize cultural differences among employees at every level, encourage maximum contribution from all groups, and promote a climate of openness, collaboration and sharing — will be the answer.

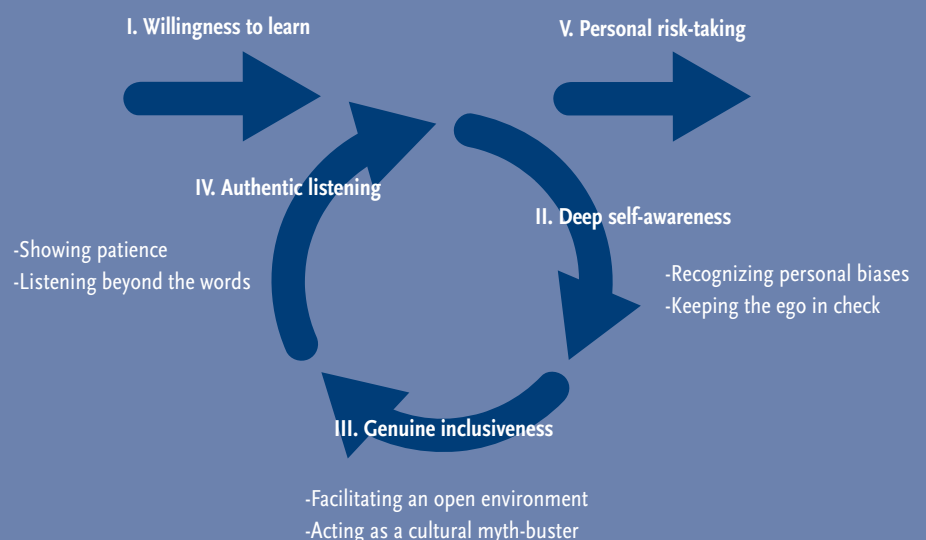
We have captured these themes into the five building blocks of intercultural leadership.

I. The foundational mindset: A willingness to learn

At the heart of the intercultural leadership challenge lies the power of choice. The great leader will choose to view diversity and differences in a positive light and as an opportunity for personal development. In the words of the ASEAN president for one of the world's largest industrial conglomerates, "The people reporting to me represent eight nationalities and 10 races. I can choose to view this as a hassle or as a great opportunity to learn. You need to be willing to learn, no matter how long you have been working".

One regional HR leader told us, "to be successful you need a genuine sense of curiosity" — a mindset that underpins behavioural responses to a variety of leadership situations and will push leaders to always probe beneath the surface of issues. "People who travelled a lot at a young age have an advantage," argued one executive. "They are more prone to ask themselves the right questions. When you are working in an environment that is different from where you come from, it prompts you to think about how different people look at the same problem".

Five building blocks of intercultural leadership



A willingness to learn can translate into big or small personal commitments that will serve as powerful signals to others. A Malaysian executive who has observed generations of expatriate leaders coming to his country agreed. “You need to take a personal interest in understanding people and their differences and stretch it outside office hours to show genuine commitment,” he said. “One Swiss executive really showed he cared by tasting local food right away, attending local weddings, even getting his wife and family involved. It helped people relate to him”.

Being open to other cultures does not mean that one has to change or compromise his or her own personal beliefs, values or preferences, but simply to be open to a richer perspective on the decisions that a leader has to make every day. “Diversity to me does not mean that you have to like all aspects of other cultures. You simply need to understand them, learn to live with them and use them constructively,” said one executive.

II. Deep self-awareness

“Among the biggest barriers preventing people from working together effectively are pride and fear,” according to an HR leader in the chemicals industry. So important is overcoming these barriers that he personally leads a regular week-long self-awareness workshop for the young high-potential leaders across his Asia Pacific organization. As the saying goes, if you want to understand others, you have to understand yourself first.

Recognizing personal biases. It is healthy for a leader entering an unfamiliar cultural environment to do a personal diagnostic of his or her cultural baggage. This assessment should go beyond the common simplifications about cultural differences between nations or historical heritage to get at how the individual’s personal style and past experiences shape his view of the world. This can be a difficult exercise to conduct independently, and an external point

of view and source of feedback is often useful. “Be honest and upfront when you don’t know and proactively seek out the right mentors who understand the culture,” advised one American executive who says he continuously learns new things even after two years in the region.

Keeping the ego in check. “There is a fine line between confidence and arrogance, and a leader needs to recognize that he doesn’t know everything. Be prepared to make mistakes and look stupid,” argues one executive. For many senior-level leaders, particularly those who attribute their success to their ability to challenge the consensus and drive profound change, this can be a hard lesson to learn. Having achieved what others thought impossible may cause some leaders to overestimate their own potential in fundamentally different environments. This can pose significant problems in Asia, where employees rarely challenge an overly self-assured leader. One executive advises, “Always listen to your own words, look into the mirror first. In Asia, people expect the boss to always be right. But you need to be honest with yourself and keep it real”.

The more self-aware leaders will naturally fight personal biases that can get in the way of working relationships and will seek regular feedback and different points of view, for instance through skip-level meetings. One HR leader finds her CEO to be particularly effective as “he makes it a point to schedule regular lunches with different groups of people, especially younger staff. He wants to hear different points of view and understand their culture”.

III. Genuine inclusiveness

Being able to bring people together and rally them around a common purpose is one of the most important tasks of leadership. One American leader finds that “to be successful in Asia, you really have to get inside the inner circle; to do that you have to be really genuine, you need to really

care”. The leader needs to be seen as a genuine facilitator and role model of inclusiveness, being the guardian of an environment in which diversity is a source of strength and pride.

Facilitating an open environment. A key requirement for an effective leader is to make people feel that they can be themselves and still be successful, explained the Indian leader of an Asia Pacific oil and gas organization. “The pride of being accepted for who you are is so important. For example, as a vegetarian, I may feel the leader is implicitly passing a disapproving message to me if steak is the only item on the menu during a team event, whether that is intended or not,” he said. “If you make an effort to accommodate people’s differences, it gives them the confidence that it is okay to be different”. Another compares managing a meeting with diverse teams in Southeast Asia to conducting an orchestra. “I have to ask some people to speak up — and others to shut up — to get the best result. To ensure I have all views included in my regional meetings, I actually allocate the same presentation time to each individual”.

Acting as a cultural myth-buster. A leader always needs to be watching out for statements that generalize people based on nationality, race or religion. “As a leader and role model, you need to spend time ‘killing myths’, like ‘Egyptians will never be successful outside of Egypt’. I made a personal point to replace my IT manager in Singapore with an Egyptian to prove the cultural myth wrong”.

Promoting an open and inclusive cultural environment should not reduce the effectiveness or efficiency of an organization. As one regional CEO explains, “I am a big believer in inclusiveness and getting people to participate in decision making, but this is not a democracy. Everyone

can give input openly, but in the end some things have to be mandated. If people object later, I help them reframe the negatives into positives by exploring together what is missing and how we can make it better”.

IV. Authentic listening

Nearly every leader whom we interviewed highlighted the importance to their success in Asia of truly and patiently listening to people. This is particularly important in the context of client relationship development and commercial negotiations, where authentic listening provides the basis for building long-term, trust-based relationships. One regional executive said he wants his leadership team to include people who “seek to understand first, not the ones who seek to preach first”.

Showing patience. It is well-known that the time it takes to build relationships in Asia is greater than in most Western countries. Leaders across the board find that “you must show patience and humility during conversations. You should never help people finish their sentences. In Asia, you need to wait until the end of the conversation to really understand what people have in mind”. Patience can be a counternatural skill in today’s fast-moving, fast-communicating modern world, which rewards speed and reactivity. Leaders at one large conglomerate experience this dilemma firsthand and caution: “Don’t think that you can come to a country and understand the culture very quickly. You have to be careful with people who want a ‘check-the-box’ expatriation experience and become restless to go home after two years. We ask people to stay at least three years to really get to know the culture and the customers”.

Listening beyond the words. An authentic listener develops an antenna for unspoken meanings. This ability builds on an individual’s cultural understanding and personal empathy. A Malaysian executive shared an example from

early in his consulting career, when he was having difficulties relating to his Thai client team. After questioning them about the issue, he realized that they viewed him as a teacher rather than a consultant, and were expecting him to provide ready-made solutions that they could implement rather than involve them in shaping the solutions. Armed with this new insight, he was able to turn around the situation.

Being a truly authentic listener can become a learned habit, but this requires constant practice. One leader learned that “you must have patience, be tactful, observant and flexible. That is not taught in school; life teaches you that”.

V. Putting it in action: Personal risk-taking

The true test for leaders in a multicultural environment is to adopt new business behaviours reflective of their intercultural competency. For instance, an action-oriented Western executive will have to recognize that a hard-charging approach might not be effective in countries such as Indonesia or Thailand, and that his local manager might be able to get things done even if results do not initially appear as quickly as expected. One executive advises leaders to give people opportunities to do things on their own. “Don’t look over their shoulders, even if you are not sure that their approach is the right one based on your own experience”. Executives also must be willing to take risks when giving promotions. “You have to take risks with people and recognize that no one is ever 100-percent ready for a new role,” according to one regional vice president. “However, if people fail, then you have to take action. It is good to create a multicultural team, but you cannot tolerate poor performance for the sake of diversity”.

Senior leaders in Asia have to tread a fine line between soliciting input from their teams and imposing their own

views. One pitfall is to rely too heavily on consensus out of fear of making a cultural misstep by being too forceful. Experienced leaders in Asia warn against this. “Often people think you always have to be soft in Asia. You need to be strong, but you have to know when to be strong”. You also have to be willing to push people beyond their comfort zone. “In Asia, people always appear to agree with you, but you need to get past the surface and ask them the difficult questions: What does your ‘yes’ really mean? What can I rely on you for?”

Risk-taking can manifest itself in small, very personal ways, as illustrated by this personal story. “As a Christian Singaporean, I was sent to a Muslim country to close a deal with the government. Before a meal I decided to say Grace and the sheikh made a remark about it. In response to the sheikh’s comment, I highlighted that we shared a common belief in Abraham as a founding father. My team was angry with me and thought we had lost the deal. Later on, the sheikh called me for a private visit to appoint me as project leader for the deal and to be the only non-Muslim on his supervisory board. This incident taught me two things. First, find the similarities in any situation and focus on them, not on the differences. Second, if you give away your personal values, you will be seen as superficial”.

STRATEGIES FOR DEVELOPING INTERCULTURAL LEADERS

Once the building blocks of intercultural leadership are understood, a vital question for companies is how to recruit and develop the leaders who can operate most effectively in multicultural environments. Two types of approaches emerged from our research: “push” tactics based on formal systems and processes and “pull” tactics based on values and culture. Although companies typically use a mix of both approaches, many companies do not

have a deliberate strategy. As one executive with Asia Pacific responsibility says, “In my organization, we are multicultural more by accident than by design”.

Push tactics — Using formal systems and processes

Purposeful recruiting. Best-in-class companies actively promote their diversity agenda and have talent reviews addressing the issue. One major oil company created an Asian Talent Council of senior line and HR leaders, which meets for an entire day every quarter and has specific objectives for hiring and developing Asian executives. When going out to the talent market, the company has specific targets for the types of executives it seeks to hire and focuses more on the potential of candidates who can be developed in a role than on finding a perfect match.

Developmental mobility. One of the most important tools to support the development of intercultural leadership is mobility, and this goes beyond sending Western expatriates into Asia. “We try to move people across countries and to do intra-zone expatriation within Asia for people with potential. Also, we are not trying to send everyone back to our headquarters in Europe. For some people, the language and cultural differences might just be too big.” Support networks also need to be in place to ensure success and promote maximum learning. “When sending high potentials from Asia to the U.S. for the first time, we make sure they get support from a local buddy and a mentor.”

Smart targets and incentives. Establishing intercultural KPIs is an effective way of ensuring executives focus on intercultural goals. “Expatriates into Asia bring a lot of expertise, but their ability to integrate into the culture is most important for our success. We give each Western expatriate the explicit target to identify and groom a local leader who can take his or her place.” Leaders’ personal incentives should be aligned with the diversity agenda of

the organization. “We reward people on regional results rather than on country results so they understand the value of working and collaborating across borders”.

Pull tactics — Leveraging values and culture

Common cultural language. It is important that organizations put constructive, business-oriented words around cultural differences. “We use personality instruments, in our case MBTI, to help people understand and talk about their differences. This creates a language for them to explain differences and utilize them positively”. Additionally, energizing people around a common business vision helps create a common language that will transcend cultural differences. In the case of one Asia Pacific oil and gas organization, “we developed a common vision for our business together. It took nine months of discussion with our entire leadership team in the region to finalize it, but it helped define everyone’s role and how we operate together. The process helped people feel ownership of the vision, and when you own something, you behave very differently toward it”.

Credible role models. In order to get traction on multicultural issues and inspire the younger generations, companies need to have credible and visible role models. An important part of building credibility is giving Asian talent important business roles. “To create role models for Asian leaders, we not only staff some of our global roles with Asians, but we also locate some of our global leadership positions in places like Singapore”.

Facilitated networking. Another important strategy is to bring people together in face-to-face meetings so they can get to know each other personally. Some organizations host regular social and networking events or encourage meetings to occur in-person, rather than through video-conference. Other organizations emphasize less costly, yet effective events. “We have a committee for cultural

bonding charged with organizing an event every year where people get the chance to introduce and explain their own culture”.

CONCLUSION

In order to leverage the strengths of a multicultural workforce and instil the intercultural competency in the organization, companies need to adopt new approaches to recruiting and developing talent. Some of the lessons for building an effective multicultural organization can be learned from the experience of successful multinational corporations based in Southeast Asia, one of the most culturally diverse regions in the world.

A senior leader in an industrial conglomerate who has been based in Southeast Asia for most of the past 17 years summarizes the essential behaviours for success

in a multicultural environment like this: “Listen before you talk, coach before you dictate and empower people when they are ready”.

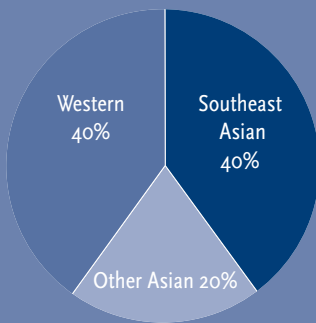
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ABOUT THE STUDY

Distribution of origin of interviewees



Spencer Stuart conducted 25 interviews with senior line and human resources executives based in Southeast Asia from more than 20 different companies representing a broad range of industrial businesses, including chemicals, commodity trading, engineered products, metals and oil and gas, across product manufacturing and services businesses. The group also included Asia Pacific business leaders from several industrial conglomerates. To get the broadest range of views on talent in the region, we interviewed senior-level business and HR leaders in regional roles, representing a diversity of ethnic backgrounds and nationalities.

ABOUT SPENCER STUART

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 50 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

Spencer Stuart has maintained a presence in Asia Pacific for more than 35 years. The firm established an office in Sydney in 1970 and, since then, has opened offices in Beijing, Hong Kong, Melbourne, Mumbai, Shanghai, Singapore and Tokyo. From these locations, Spencer Stuart consultants execute assignments across the region, including China, India, Indonesia, Japan, Malaysia, the Philippines, Thailand, Taiwan and Vietnam, for clients in a broad range of industries. Within the past year, the firm has conducted more than 600 assignments in Asia.

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