

AN INTEGRATIVE APPROACH TO CROSS-BORDER EXPANSION: THE ROLE OF GLOBAL LEADERSHIP

B. SEBASTIAN REICHE

Associate Professor of People Management

IESE Business School

Ave. Pearson 21

08034 Barcelona, SPAIN

sreiche@iese.edu

<http://blog.iese.edu/expatriatus/>

Executive Summary

Despite perceived increases in cross-border activities, the actual level of globalization remains limited and much of its potential untapped. This is partly due to the persistent ethnocentric nature of how multinationals are managed and how, by extension, they go about leading cross-border activities. What stands in the way of more, and more effective cross-border expansion then is a more integrative approach of tapping into and leveraging diversity by sharing, building on and diffusing local best practices at a global scale. In this vein, individual leaders serve as the primary actors, who drive these efforts by engaging with and influencing relevant stakeholders on a global scale. This whitepaper diagnoses the relevant contextual conditions and related demands that global leaders encounter, and offers a series of recommendations for how multinationals can assist their leaders to apply an integrative approach to cross-border expansion.

In short, global leaders face a set of challenges associated with both their task environment, for example in the form of increased levels of complexity and fragmentation of global work arrangements, and their relationship environment, as in the case of various social frictions resulting from boundary spanning activities. These challenges highlight particular demands for global leaders that reach from mere physical to psychological mobility. Compared to physical mobility, psychological mobility concerns individuals' capacity to adjust their thought patterns and behaviors during cross-border transitions, and adapt affective responses towards cultural others. The diagnosis points to a number of recommended organizational actions regarding hiring and promotion, development, socialization, and broader education of talent within global organizations.

I. Introduction

It is difficult to find voices in the popular press that do not attest to a continuous growth in global business activities over recent years, along with its attendant challenges such as increased complexity and growing fragmentation of how cross-border work is structured and carried out. And in many respects this notion holds true. Evidence suggests that a growing number of people take on roles and responsibilities that reach beyond the domestic work context, and do so in an increasing range of host countries. Even the global crisis of 2008 and its aftermath do not seem to have changed this trend.¹ On the contrary, recent industry surveys expect global work assignments to continue to increase significantly over coming years.²

Further, the growth of global business activities is characterized by a notable shift of economic activities towards emerging economies. Specifically, the fact that in the global IT services industry Indian multinationals such as TCS or Infosys are now – less than two decades after they internationalized on any scale – competing directly against established US and European multinationals like IBM or SAP for high value-added service contracts at a global level reflects the novelty, speed, and broad scope of emerging market-based globalization. More broadly, evidence suggests that emerging economies are now well represented in the Fortune Global 500 companies, with their numbers increasing from 21 companies in 2000 to 132 companies in 2014.³ Emerging economies have also been shown to drive most of the observed rises in international flows over recent years while also changing the pattern of globalization, for example by bringing the regionalization of merchandise exports back to levels previously experienced in 1986.⁴

These notions are also reflected in public perceptions about substantial – and rising – levels of globalization, as measured along a variety of factors such as telephone calls, immigration,

direct investment and trade – although often grossly overstated.⁵ Even self-perceptions towards globalization tend to run high: for example, evidence suggests that individuals assume cultural proficiency by mere exposure to an international environment such as an MBA program.⁶

However, these accounts ignore the still fairly limited scale of globalization. For example, the recent DHL Global Connectedness Index demonstrates only modest increases in the overall levels of globalization, which are mainly due to a growth in information and capital flows while flows of people remain stable and trade connectivity is actually slightly decreasing.⁷ Further, while global mobility for professional work may be on the rise and is expected to grow, there is little indication that this is actually changing the ethnocentric nature of most multinationals. International assignments continue to be much more formalized and structured for parent-country nationals,⁸ and data from relocation services provider Brookfield suggests that in 2013 still 56% of all international assignments occurred from or to the headquarters (HQ) country rather than between foreign units, a share that moreover has remained stable in the 19-year history of the survey.⁹ Similarly, national diversity at the very top of most multinationals, both at the CEO and the top management levels, continues to be marginal: on average at least 85% of CEOs or top management team members of Fortune Global 500 companies are native to the country the corporation is headquartered in.¹⁰

Actual preparation and training for cultural diversity does not necessarily raise levels of cultural proficiency necessary for effectively dealing with globalization either. In fact, a recent study showed that students who took a cultural psychology class increased their levels of cultural awareness and moral relativism but were also prone to develop *more* stereotypes than a control group, which raises general questions about how cultural knowledge is conveyed.¹¹ And even the

much-debated contention whether there may be a risk of rising culture wars and tensions¹² has received rather solid support in recent times.

In short, if we believe that there are significant benefits attached to rising levels of globalization,¹³ then there is still a lot of untapped potential. More specifically, to help multinationals tap into these benefits and more effectively expand across borders – both by accelerating their agility and innovation, and creating breadth and optimization in their operations – a more integrative approach to management seems necessary. Integration means neither centralizing decisions and solutions at HQ nor delegating responsibilities completely to the local level. Instead, it entails leveraging diversity and sharing local experiences, best practices, and behavioral norms openly within the organization, while also identifying important commonalities. It can occur at the individual level through boundary spanning and global leadership, and at the level of the organization through corporate cultural socialization and the (re)design of organizational structure, management systems and practices. This whitepaper will focus on the micro level, and discuss relevant contextual characteristics and the resulting needs and implications for effectively managing and expanding across borders through global leadership. Subsequently, a series of recommendations that help inform business practice are outlined.

II. Global leadership and cross-border expansion

The past few decades have seen changing workforce demographics and dynamics. Birth rates have not only decreased in the West but also in countries like China, a phenomenon aptly characterized as a growing risk of “Greysia”. At the same time, there are talent shortages in several markets. A company like Siemens is in the position to give employment guarantees for all of its 128,000 German engineers mainly because it faces such a shortage of engineering talent

at home.¹⁴ Similarly, there is a rapid growth of management and executive jobs in many emerging markets. It is no surprise, then, that global mobility has been on the rise, and is expected to grow further.

However, it is neither clear that companies are successful in managing nor have access to sufficient talent to feed this mobility. For example, industry surveys suggest that companies continue to struggle in adequately preparing their employees to take on global leadership responsibilities.¹⁵ Similarly, one reason for the growing fragmentation of how cross-border work is structured, and which is reflected in such forms of global mobility as commuter assignments, split family assignments, or virtual assignments that are interspersed with short international business travel,¹⁶ is that there are not enough candidates that are able or willing to accept long-term postings abroad. In fact, a study among over 900 subsidiaries of multinationals headquartered in 36 different countries suggests that knowledge transfer, more so than filling actual positions or training for future positions, is the most important motive for global mobility.¹⁷ In other words, if you can't get enough individuals to physically relocate for work, you need to diffuse the necessary local knowledge and skills in other ways. The section below will examine relevant contextual conditions within which individuals need to exert global leadership, as well as the implications for actually being able and willing to do so.

1. The context of global leadership

The leadership environment, in which individuals operate to contribute to their organizations' global objectives, poses significant task-related and relationship-related challenges. While task-related challenges reflect the environmental conditions in which the global leader conducts specific roles and responsibilities, relationship-related challenges concern the process of how a global leader fulfills these roles and responsibilities.

1.1. Task-related challenges

In a global context, leaders experience greater levels of complexity when fulfilling their roles and responsibilities. Indeed, an IBM study among 1,500 CEOs representing 33 industries across 60 countries reported that complexity challenges executives more than any other business variable.¹⁸ This complexity mainly arises from greater degrees of variety, interdependence, and flux.¹⁹ *Variety* concerns the diversity in approaches of organizing, competing, and governing along with their attendant actors. It is reflected in multinationals, and by extension individuals involved in leading these companies, that operate in diverse geographical locations and conduct multifunctional activities, while constantly facing different optimal solutions across different business lines, countries and tasks. It is important to note that significant amounts of variety exist in a domestic context as well. Economists have, for example, calculated the relative degrees of ethnic, linguistic and religious fractionalization for 190 countries, showing substantial within-country variation.²⁰ However, it is the differential degrees of, and hence individuals' different levels of experience with such fractionalization between countries that further increase the level of complexity for global leaders.

One element along which global leaders experience a great deal of variety refers to cultural differences. Several scholars have sought to identify key cultural value dimensions that underlie behavior and reflect the essence of cultural differences – and similarities – between (mainly) national cultural groups.²¹ While the focal dimensions vary considerably from one cultural framework to the other, together they point to five fundamental questions as they relate to social interaction and management practices in a global environment. Specifically, the questions concern (1) how power and authority are distributed in a society, (2) the extent to which the individual vs. the group constitute a society's main building block, (3) how people perceive their

relationship with the surrounding natural environment, (4) how people in a society organize their time in performing certain activities, and (5) how societies reduce uncertainties and control behavior of individual members.²²

What is common to any attempt of conceptualizing culture is the belief that cultural values, no matter how multifaceted, have significant – and even existential – consequences for the specific behaviors that individuals prefer to use. An extreme example is Korean Air's series of plane crashes between 1970 and 2000, which has been popularized in Malcolm Gladwell's book *Outliers*.²³ An analysis of conversations recorded in the black boxes of the downed planes revealed that Korean Air co-pilots and flight engineers rarely advised actions that would have contradicted the judgments of their captains, even when a crash was imminent. Challenging one's superior in Korea, a society in which power is distributed unequally, was viewed as culturally inadequate. Although not always as consequential, cultural values have been shown to affect a myriad of management practices including the relative acceptance of participative vs. authoritative management styles, of quick fixes to a problem, of merit-based pay and promotion practices, of direct vs. indirect feedback, or emphasizing individual as opposed to group contributions.²⁴

Interdependence, a second element of complexity, refers to the interconnectedness of trade, capital, information, and people. The DHL Global Connectedness Index, for example, differentiates between twelve types of cross-border trade (e.g., trade flows), capital (e.g., FDI flows), information (e.g., international telephone calls), and people (e.g., migrant flows) flows (or stocks cumulated from past flows).²⁵ While the level of global interconnectedness is significant, the index shows substantial variation over time and, importantly, also across space, with Europe being the most interconnected region and emerging economies witnessing the

biggest increases in connectedness in recent years. Interdependence at the individual level is, for instance, reflected in multifaceted interconnections with the external task environment, as in the case of global leaders dealing with multipoint competition and global clients that require strategic responses as an integrated whole. Interdependence also has a bearing on cultural change more broadly. Specifically, scholars have criticized the traditional cultural frameworks mentioned earlier for their tendency to ignore the fact that individuals' relationships to cultures are partial and plural, and highlight that individuals take influences from multiple cultures, thereby becoming conduits through which cultures can influence each other.²⁶

Flux, the third element, concerns the degree to which change in the task environment is destabilizing. In particular, leaders are likely to experience more frequent and more intense changes in their task environment. This is because these changes occur at different times across different locations, often at different velocities and in different directions. It also requires customizing change interventions to fit the local context, which involves the consideration of flux in more environments as well as greater unpredictability in change results.²⁷

These three facets of complexity are reflected in the changing nature of multinational companies themselves. While multinationals had traditionally followed a hub-and-spoke model that centered around relationships between HQ and its subsidiaries, global competitive pressures have gradually led multinationals towards an integrated network model that not only involves greater direct interactions among national subsidiaries but has increasingly disaggregated country subsidiaries into functionally-specific and discrete value-adding units, such as a sales unit or an R&D center.²⁸ Together with a growing global footprint, increase in customer segments, and greater geographical dispersion that multinationals have experienced over the past years, this has a number of implications for the task context in which global leaders operate. For one, an

integrated network approach greatly increases coordination challenges. Several organizations have responded to this need through more sophisticated organizational structures and reporting lines such as a matrix organization, although evidence on the proliferation and utility of the matrix remains ambiguous.²⁹ Alternative ways to address increased coordination needs and opportunities for cross-border learning and knowledge sharing include cross-border projects, task forces, and routine interactions.

Additionally, and as a result of these changes, the very nature of how global work and career paths are structured is also characterized by greater complexity and fragmentation. First, implicit to the integrated network model is that cross-border interactions are not limited to the executive suite but involve middle management and even front-line staff such as R&D scientists or sales employees, for example when coordinating new product development and sales plans across geographical regions. This has greatly increased the responsibility for cross-border coordination at lower hierarchical levels. Second, while international relocations used to be a single career event, more and more employees engage in repeated staff transfers and relocations to a larger number of different destinations, thereby increasing the intensity of global mobility over the course of their careers. Similarly, corporations have also diversified their pool of global employees beyond the traditional expatriation of HQ personnel to foreign subsidiary. Among the alternative forms of international assignments are short-term transfers, inpatriation, international business travel, localization, one-way permanent moves, virtual assignments, and commuter or rotational assignments. Global work has also gone far beyond flexible expatriation to include such phenomena as self-initiated international transfers, skilled individuals working in geographically remote centers of excellence serving global operations, or immigrants actively attracted to national labor markets.³⁰

1.2. Relationship-related challenges

Global leaders are involved in substantial boundary spanning activities to be able to fulfill their roles and responsibilities, which result in several relational challenges. Boundary spanning concerns an individual's integration and coordination activities through allocating ideas, information, decisions, talent and resources.³¹ Given the increased coordination challenges and denser cross-unit interactions in multinational companies boundary crossing activities have risen substantially. Leaders span boundaries not only across functions, business units and divisions within their organizations, but they also deal with numerous external stakeholders, including industry consortia, government agencies, regulators, customers, suppliers, non-governmental organizations, the media, and other business partners. Often the structural and geographical boundaries that leaders cross overlap, for instance, when members of a cross-divisional project team are dispersed across different locations, or when different locations require different access to government agencies and regulators.

Particular relationship challenges derive from the structural and content-related characteristics of leaders' stakeholder interactions. For example, communication is likely more virtual and asynchronous when leaders spend less contact time with each respective actor given the wide geographical dispersion of their constituents and task responsibilities. For example, a survey by the Economist Intelligence Unit revealed that nearly 80% of executives participated in virtual work arrangements of some kind,³² a situation that has been greatly facilitated by advances in communication technology. The sharing of relevant information that can be accessed asynchronously, according to each actor's time zone and work schedule, may support decision-making processes and improve decision-making quality. However, certain types of resources such as the development of trust and the sharing of context-specific information require face-to-

face interaction.³³ This is particularly relevant for interactions across organizational boundaries, as in the case of cross-border joint ventures, which are subject to greater potential differences in strategic interests, organizational values and mindsets, and management systems, thereby placing a greater burden on the development and maintenance of high-quality relationships.

Consequently, leaders often need to postpone certain decisions until their next electronically synchronous or even face-to-face meeting with relevant stakeholders. Both asynchronous interaction and the reduced richness in technology-mediated communication thus slow down coordination and integration.

Leading across non-proximate locations also entails a variety of social frictions that not only affect the structure but also the content of interaction. These frictions may have negative effects on the level of global leadership an individual can exert, for example due to cultural misunderstandings, stereotypes or other biases that impair effective interactions. Indeed, studies have consistently shown cultural differences in negotiation, conflict management, reciprocation and cooperative behaviors.³⁴ The variety of cultural stimuli that characterize the wider task context in which global leaders operate also have a bearing on how individuals socially construct meaning and develop or resist shared identities and, by extension, relate to each other.³⁵ This is particularly relevant given the prevalence of multicultural, as opposed to single-cultural encounters, as in the case of global teams, cross-border task forces, or alliances with other multinationals. For example, expatriates may hold multiple identities that relate to their home unit, the host organization, the wider multinational company, their occupation and function, as well as their status as an international employee. These identities may become relatively more salient depending on a particular situation, and they are not necessarily aligned, such as when an international assignee repatriates to a domestic position, which has been shown to create identity

strain.³⁶ How individuals construct meaning and interpret their organizational context will affect how they relate to other members. For example, an expatriate in a position that evokes a strong home-unit identity, as in the case of a HQ representative tasked to implement a new management practice in a foreign subsidiary, is more likely to activate that home-unit identity, which may lead host-unit staff to perceive the expatriate as an outsider, thereby reinforcing potential resistance towards that practice. In sum, the multiple sources of identification that exist within multinational organizations highlight the importance of creating belongingness and a superordinate identity that is able to accommodate these differences at a lower level.

Language is another driver of social frictions. Research suggests that organizational members whose native language is distant from the principal corporate language spoken in a multinational company experience status insecurities and stigmata that translate into feelings of resentment and distrust towards members of the other language group, hence jeopardizing effective communication.³⁷ By contrast, shared language between individuals, either in the form of proficiency in the official corporate language or the respective counterpart's native language has been shown to provide a shared ground of identification and an enabler of knowledge and best practice transfer.³⁸ Some leadership environments may also be more hostile, for example when they are subject to religious conflict, risk of terrorism, or local actors that perceive foreign multinationals as a threat to their own control and influence. However, social frictions can also have positive effects. Research on multicultural learning, for instance, demonstrates that leaders' previous boundary crossing experiences may increase their creativity for effective problem solving.³⁹

2. Implications for global leadership

The contextual requirements outlined in the previous section point to several implications for how leaders can effectively contribute to managing and expanding across borders. The following discusses particular demands that the various task and relationship challenges pose for global leaders. A first demand concerns physical mobility. Despite advances in communication technology the necessary boundary spanning activities cannot all be fulfilled through virtual means. In fact, arguably the most relevant resources such as tacit and contextual knowledge, for example about how to deal with a particular customer, as well as trust require face-to-face contact to be exchanged.⁴⁰ As business operations are geographically so dispersed, this means in most cases increased demands of air travel. George Clooney starring as Ryan Bingham, a travelling corporate downsizer in the 2009 movie ‘Up in the Air’, puts it very aptly when he ponders that “To know me is to fly with me,” and argues that the best way to live is to travel light, with little to hold one down, be it relationships with people or things. Recent research has indeed shown that travel inconveniences play an important role for cross-border activities: Indeed, the liability of distance is strongly correlated with actual travel time rather than geographical distance per se and even companies’ foreign location choices seem to depend considerably on managerial preferences in terms of travel conveniences than pure business needs.⁴¹ Given the growing demands for international business travel, it is not clear though whether sufficient talent is willing to follow Bingham’s frequent flying life style. Willingness to travel, especially in the case of longer-term assignments, is also negatively affected because of mobility challenges of dual-career couples and often less attractive assignment destinations.

Beyond physical mobility, global leaders also need to demonstrate higher levels of psychological mobility, which refers to the perception of one’s capacity to make transitions and

can be thought to entail both cognitive and affective flexibility. Cognitive flexibility concerns the extent to which global leaders can adjust their thought patterns and behaviors to effectively interact with people and adapt to situational demands across cultures.⁴² For example, a recent study of over 700 managers and more than 2100 subordinates in 18 cultural regions examined why managers would engage in benevolent reciprocal responses (e.g., showing concern, timely communication, behaving with integrity) towards subordinates whose behaviors primarily benefit other subordinates.⁴³ While there are of course important secondary benefits involved in subordinates helping each other, managers usually do not know whether these motives are genuine or self-interested. The findings suggest that whether a manager would respond reciprocally to a subordinate helping his or her peers depended on managers' affective trust towards that subordinate, which can be thought of as a gauge of subordinates' underlying motives. Interestingly, however, the study also found that such an emotional bond was unnecessary in highly collectivist cultures such as China, Thailand or Colombia because these settings regard reciprocation as a moral obligation rather than a voluntary act, as would be common in individualist societies such as the US. This finding is thus contrary to the common assumption that a lack of affective trust limits effective cross-cultural interactions altogether. Instead, leaders from individualist cultures will need to deal with the likely discomfort of reciprocating beneficial acts even before having developed trust in a collectivist setting. This requires an adjustment of both one's mindset and behaviors. The good news is that this adjustment is possible. Indeed, cultural neuroscience research suggests that culture not only shapes our neurological wiring but that exposure to other cultures over time also allows us to re-wire our brains for different cultural settings.⁴⁴

Cognitive flexibility also reflects the demands resulting from exposure to different sources of identification, such as those of the HQ, the local subsidiary or a joint venture partner for example. In fact, global leaders not only cross structural or geographical boundaries but also many identity-based boundaries.⁴⁵ Their regular interactions with different constituents and social groups may also cause global leaders themselves to develop more complex self-concepts.⁴⁶ For example, those experienced with spanning different sources of identity tend to combine elements of their diverse past experiences with elements from their novel environment to enact identities that are suitable in this new context, while individuals who sustain diverse identities are also more able to cope with cases in which a particular identity is threatened by negative events.⁴⁷ While experience with multiple identities can certainly be helpful, more recent research has also advanced the notion that marginalization can be beneficial. This is because marginalized multiculturals, i.e., individuals who have internalized more than one culture but do not identify strongly with any of them, are less susceptible to identity threats, which may occur during identity-based boundary spanning.⁴⁸

The above-mentioned study on managers' reciprocation also highlighted the need to adapt one's affective responses towards cultural others. The importance of affective flexibility, and empathy in particular, is also highlighted by findings from neuroscience. A group of researchers from the University of Southern California's Brain and Creativity Institute found that emotions vary in the time they take to process.⁴⁹ The researchers asked participants of an experiment to listen to stories describing people experience physical or psychological pain, and were then placed into an MRI scanner to examine their brain functions. The study found that while the human brain reacts very quickly to demonstrations of physical pain, the more sophisticated mental process of empathizing with psychological suffering unfolds much more slowly. More

broadly, this suggests that the more distracted or mentally overloaded we are, the less we are able to experience the subtlest, and arguably most distinctively human forms of emotions such as empathy and compassion. This is particularly relevant when operating in a context of increased diversity and multiculturalism, higher pace, more complexity and, importantly, more virtual forms of communication that limit face-to-face contact time. This context will make it more difficult to engage in persistent, emotional attention to convey empathy towards cultural others.

More broadly, the importance of demonstrating higher levels of psychological mobility also points to adequate development interventions, as proactively sought by the individual leader and as provided by the company. This is even more critical because international and cross-cultural experience per se, although thought to help develop global leadership competencies, is a weak predictor of success on an international assignment.⁵⁰ It may be that more seasoned expatriates fall prey to complacency and the trap of too much experience, or fail to sufficiently consider subtle yet important differences between assignment contexts. However, seeing culture along stable categories that allows placing individuals from different countries into a handful of different cultural buckets, a view that is often nurtured through inadequate and superficial cross-cultural training, may simply lead to sophisticated stereotyping⁵¹ and in fact *increase* the use of stereotyping.⁵²

III. Recommendations

The previous sections discussed relevant environmental characteristics and the resulting needs and implications for effectively expanding enterprise operations across borders through global leadership. The evidence presented so far not only suggests that *culture* continues to matter but, more broadly, that there is a wider range of contextual factors that influence how and how well leaders can help their organization accelerate its innovativeness and agility, and create

breadth and optimization in its operations, through cross-border moves. With the many challenges and untapped potential in mind, the following sections outline prescriptions for a more integrative approach to managing cross-border expansion. Specifically, we can consider four talent functions that enable a more integrative approach to managing and leading cross-border expansion. These include the hiring and promotion, development, socialization, and broader education of talent within the organization and society more broadly. Table 1 summarizes these prescriptions, the corresponding time horizon for their adoption, and their attendant limitations and blindspots.

Insert Table 1 here

1. Hiring and Promotion

Given the many task- and relationship-related challenges that individuals face when operating across borders a first set of levers concerns building a more diverse pool of global leaders a company can draw from in different settings. This diversity can be developed both across and within individuals in a company. A first avenue for increasing diversity has to do with actually hiring and promoting people from diverse backgrounds. This sounds simple, and yet many companies continue to favor parent country nationals, not only at the top but also for many lower-level managerial positions at foreign operations that continue to be staffed with natives.⁵³ Not only does such ethnocentric staffing limit foreign nationals' career prospects and visibility within the wider organization, it may ultimately also lead to relatively higher turnover tendencies compared to parent-country nationals, thereby further reducing necessary diversity. A similar risk concerns language-sensitive staffing, i.e. the practice of assessing a certain proficiency in the

official corporate language as a precondition of employment.⁵⁴ While corporate language fluency is certainly important for cross-border interaction and boundary spanning within a global company, language-blind hiring and promotion is problematic to the extent that it artificially reduces the talent pool in local contexts where few candidates have a sufficient level of corporate language proficiency, diminishes the value of functional competence, and reduces local embeddedness.

To signal willingness to increase their staff diversity, companies will need to start at the top – but they should also focus on diversity at lower levels. Take Chinese white goods producer Haier for example. From its early days of internationalization, the company systematically selected experienced local staff to manage its foreign operations. To maintain necessary consistency and global standards, the second highest position is usually staffed by a Chinese. Having local country managers, however, gives a clear message that there is no glass ceiling for local talent while also leveraging local knowledge and expertise. Another means to increase diversity among a company's global leaders are different forms of international staffing that go beyond the expatriation of parent-country nationals, for example by temporarily inpatriating foreign managers to HQ. Recent evidence indeed suggests that inpatriation is no longer a rare phenomenon but serves to complement the expatriation of parent-country nationals – and appears to be increasingly used to similar extent.⁵⁵ For global sporting goods brand Adidas for example, the inpatriation of local talent helps to diversify its international staff and, in doing so, provides employees with a broader understanding of the overall organization, offers career opportunities beyond the local context for all staff, and ultimately enables Adidas to better respond to local differences in tastes and preferences.

There are yet other ways to increase an organization's staff diversity. The growing number of self-initiated expatriates, i.e. individuals who expatriate themselves from their home country without the support of an employing company,⁵⁶ attests to a growing interest in proactively managing one's international career. And for companies, self-initiated expatriates, who tend to be employed on local contracts, are an inexpensive complement to relocating staff abroad for building a diverse staff pool.

A second way to increase the repertoire of dealing with increased complexity and boundary-spanning activities is to hire – and then continue to develop and promote – bicultural or multicultural individuals who, through their upbringing and experience, have internalized the norms and behavioral sets that are appropriate in different cultural, ethnic and linguistic environments and can easily shift between them. For example, research has pointed to President Obama's ability to code-switch between black and white speech patterns, thereby increasing his linguistic repertoire and influence.⁵⁷ Or consider cosmetics company L'Oréal, which for over a decade has been staffing a third of its product development teams with multiculturals. The company realized early the many benefits of multiculturals' sensitivity to both their own and other cultures, their cultural awareness and empathy, as well as their multilingual skills. Indeed, multiculturals are not only more likely to recognize new product opportunities but also better at mediating between different cultural stakeholders, preventing losses in translation and ultimately building consensus behind new ideas.⁵⁸ As mentioned earlier, multiculturals are also less likely to experience identity threats when operating across diverse contexts. To leverage the value of multiculturals within organizations will require a better understanding of the specific actions that are transferable to monocultural individuals in order to improve their own cross-cultural effectiveness. Unfortunately, our current level of understanding in this regard remains limited.

2. Development

A precondition for a more integrative approach to leading cross-border expansion is that individuals have the necessary competencies to do so. By extension, this begs the question of (1) *which* types of competencies are required, (2) *how* they are to be identified and developed, and (3) *who* is eligible for competency development. First, there is an abundance of different competency models for global leadership and the only certainty seems to be a growing interest in attempts to define particular competency sets. Indeed, social scientists have identified more than 160 competencies relevant for global leadership effectiveness, and yet many of these competencies are conceptually overlapping and often separated only by semantic differences. These competencies broadly fall into three different categories of competencies, including (1) intrapersonal competencies, which are associated with the internal psychological/emotional sphere of the leader, (2) interpersonal competencies, which are concerned with the management of people and relationships, and (3) business acumen competencies, which are directed at an understanding of and ability to act within business and organizational realities.⁵⁹

Rather than adding other competencies to an already overly long list, there is a need for a broad and manageable set of competencies that can be widely applied and that enable global leaders to be effective no matter in which particular context they operate. Further, consistent with the many contextual challenges that global leaders face and that have been outlined earlier, a measure of effectiveness in a globally diverse context should ideally take into account a wider variety of differences (e.g., political, legal, economic) rather than narrowly focus on cultural aspects as many measures of cultural intelligence and global mindset currently do. One attempt at building a more parsimonious set of measurable global leadership competencies focuses on the intra- and interpersonal dimensions, considering that leadership is foremost a social influence

process.⁶⁰ The measure reaches beyond mere cross-cultural competencies and is structured along two dimensions: it entails (1) both other-oriented and self-oriented elements, and (2) a combination of metacognitive, cognitive, affective, motivational, and behavioral facets. To assist recall, the included competencies can be organized in terms of the ACHIEVE acronym: **A**wareness about a country's cultural, political, legal and economic particularities, **C**onation or willingness to experience and interact with constituents from different contexts, **H**umility with regard to one's own assumptions, views and opinions, **I**ntity towards a global community, **E**mpathy towards people from other contexts and backgrounds, **V**ersatility or confidence to succeed in a particular task, and **E**xecution or behavioral adaptation to a particular context. In addition to such core competences, it is also important to account for the tremendous variation in global leadership roles and responsibilities and customize competence development, as well as intervention paths, according to actual needs.⁶¹

Second, different interventions exist to identify and facilitate the development of the necessary competencies. A first step is to provide staff simply with international exposure⁶², and there are many different ways to achieve this. Beyond more traditional long-term expatriation, there is a wealth of other forms of global work assignments including the aforementioned inpatriation, short-term postings, global virtual teamwork, often combined with international business travel, cross-border project work and task forces, or commuter assignments. Another avenue for gaining international exposure is through international volunteering assignments. Consider the case of global healthcare company GlaxoSmithKline (GSK). GSK launched an international volunteering program called PULSE a few years ago, which entails sending around 100 employees annually for three to six months to NGOs in mostly developing or emerging countries. The only precondition for an employee to be considered is to have been employed at

GSK for at least three years. There are no job grade limitations and participating employees continue to receive their full salary and benefits. In addition to directly benefiting the NGOs involved, such programs certainly serve to ramp up a company's public CSR image, while also fostering employee motivation and engagement – at GSK, for example, 95% of participants reported increased inspiration and creativity post-program. However, these programs have also been found to help develop cultural competences such as cross-cultural awareness, empathy, and motivation.⁶³ It is important to note though that the most sustainable learning and competency development occurs through extended stays abroad and hence short-term international postings, no matter of which sort, should not substitute prolonged exposure in a foreign context.

To make the most of international relocations as an instrument to develop global leadership competences, it is important to maintain a central roster of talent to allow for selecting the most promising global leadership talent no matter where they are currently located, and rotating them to any suitable destination within the worldwide network of corporate units. Unfortunately, in many companies talent continues to be managed locally or regionally without sufficient aggregation at a global level. Further, given the persistently high rates of repatriate turnover,⁶⁴ and hence a loss of newly developed global leadership potential, multinationals would be well advised to spend more effort on systematic repatriation and career-planning. Clear career prospects combined with other incentives such as formal policies regarding “Bleisure travel” – the explicit linking of business and leisure travel – can also buffer the increased personal costs of global mobility.

There are other tools to grow one's cultural and broader contextual repertoire. Cultural training and mentoring, especially if they accompany an individual's international assignment and can be accessed on a need basis, are useful for learning and retaining newly learnt

experiences, and are offered by an increasing number of international relocation services providers. For example, managers in a study that were nominated by peers as most cross-culturally competent were not those who reject generalizations completely, nor those who apply stereotypes less rigidly, but rather those who actively update their generalizations on the basis of interactions and new information.⁶⁵ In other words, while stereotypes may serve as a useful initial guide about a particular cultural context when more detailed knowledge is missing, the main problem of stereotypes, as well as sophisticated stereotypes about general cultural dimensions, lies in their stickiness and the lack of revising them in the light of new information.

As a result, it is important for development interventions to both raise awareness of deep-seated stereotypes and encourage a more dynamic approach to dealing with them. Osland and Bird liken the process of learning about a new environment to being a scientist who holds conscious stereotypes and hypotheses in order to test them.⁶⁶ To be able to continuously update one's contextual knowledge and generalizations requires regular and repeated interventions rather than one-off activities. It is also helpful to more explicitly examine disconfirming evidence that challenges existing cultural stereotypes, and cultural mentors can help in making sense of these seemingly paradoxical situations. Multinationals can also accompany this process by organizing events in which current or returning expatriates of the same destination country share contrasting cultural experiences. Cross-cultural training can also be directed at helping individuals manage their multicultural identities, e.g. by helping them make sense of "who they are" and understand the impact of context and upbringing on their own identity development.⁶⁷

A critical additional skillset supporting a more integrative approach to leading cross-border expansion is proficiency in a common language, which requires more far-reaching support for language learning. There are two avenues for language to be shared across a multinational. First,

individuals may develop proficiency in the native language of another country unit. While this is more difficult to achieve, especially with regard to multiple country units, job rotations and face-to-face interactions in the form of regular meetings, conferences or cross-border project teamwork may help to improve foreign language fluency for key talent. Second, a shared language can also be achieved through a common corporate language and multinationals are well advised to further their efforts for establishing and monitoring its use.

Third and finally is the question of who is eligible for competency assessment and development. Of course, individuals expected to fulfill global leadership and boundary spanning responsibilities ought to be the primary target. However, substantially less attention is usually paid to involving local nationals in a foreign operation, especially those who regularly interact with global leaders and expatriates, in development interventions. This is unfortunate given these individuals can act as important socializing agents and providers of support for international staff.⁶⁸ Yet, to be able to effectively provide support to an expatriate, local nationals face similar challenges of adjusting to cross-cultural interactions.

3. Socialization

While staff diversity is a necessary condition for operating and expanding more effectively across borders, in the day-to-day it is tempting for people to view diversity as an obstacle rather than an opportunity to leverage. This is because we are often biased towards selectively focusing on differences while forgetting about important commonalities that bind us together. Consider the following case in point. A group of researchers in the UK wanted to understand what it takes to help a rival.⁶⁹ Accordingly, they recruited Manchester United football fans for a study and primed them (i.e., got them to put themselves into the state of being a fan) by asking them to write about why Manchester United was their favorite team, how long they had been fans of the

club, and how often they watched the team play. Subsequently, when walking from one building to another, the football fans saw a runner slip on a grass bank, where he fell holding his ankle and screaming in pain. The question the researchers were interested in was whether the fans would help. Interestingly, the answer depended on the T-shirt the runner was wearing. While 33% of the fans helped when the runner was wearing a plain T-shirt, the runner with a Manchester United T-shirt received help from 92%, clearly highlighting the relevance of a common source of identity. By contrast, when the runner was wearing the T-shirt of FC Liverpool, a rival football club, only 30% helped.

The question the researchers set out to study was how you can get people to help a *rival* so in another version of the study the Manchester United fans were asked to write about why they were football fans, what it meant to them being a football fan, and what they had in common with other fans. Broadening the priming changed the helping behaviors drastically: Similar to the previous version, a runner with a plain T-shirt was helped in 22% of the cases whereas a runner with a Manchester United T-shirt received help from 80% of the fans. This time, however, the runner with the T-shirt of the rival team was helped in 70% of the cases, more than double the share than in the first version of the study. In other words, when looking at a rival as a fellow football fan rather than an enemy we can more easily identify with them. Especially in diverse contexts, we may simply fail to identify with people because we are focusing on how different they are and because we are thinking about them in terms that are too specific and narrow.

What can global companies do to create belongingness and connectedness, especially given the many different sources of meaning and identification that their employees are exposed to? A traditional strategy has been to deliberately focus on a particular category of social identity, such as nationality or ethnicity, and multinationals' continuous attention to their HQ

national culture as a source of identification is a case in point. However, this strategy of achieving belongingness risks alienating stakeholders from other national groups rather than integrating and leveraging national cultural diversity. An alternative way of binding organizational members together is through a common corporate culture. A growing number of organizations are recognizing the importance of cultural fit of its employees, and explicitly assess value congruence both at the selection stage and at an ongoing basis during development. For example, for IKEA, the Swedish furniture retailer, values and culture fit serve as the main basis for screening, interviewing, training and development of talent, and more so than job-based skills, experience and academic qualifications.⁷⁰ Similarly, mining giant Anglo American explicitly assesses its managers' alignment with company values as part of its developmental 360° feedback instrument. Standardized induction programs, as well as accompanying coaching and mentoring sessions are additional tools for socialization. By extension, this logic also applies to global leaders themselves. To create a common bond, in addition to overarching corporate values, global leaders can define core values at the team level that guide behavior, no matter where team members and other constituents are located. These values can focus on the team mission internally (e.g. "We are serving our company's key accounts") or they can be established in relation to and distinctive from main competitors.

Job rotations, regular meetings – and the creation of multiple points of contact across dispersed organizational units more broadly – are equally powerful as they help break silos and faultlines along national, ethnic or gender markers, and increase organizational members' mutual knowledge of their counterparts' local contexts.⁷¹ Given the amount of work that is done virtually, creating multiple contact points is particularly important for creating belongingness. While face-to-face contact may be costly in globally distributed work arrangements, it is often

the only way to pave the way for effective collaboration, especially at the outset. However, there are numerous ways to create virtual contact to supplement face-to-face interaction. These may entail virtual sub-teaming to pair diverse members, making use of team virtual workspace and other communication media, or virtual reward ceremonies to celebrate achievements jointly.⁷²

Finally, as briefly touched upon earlier, a common corporate language can also facilitate an overarching identity. Indeed, shared language not only facilitates the exchange of information but has also been demonstrated to foster solidarity and social identification.⁷³ Companies such as Rakuten have shown that the official corporate language does not have to match the parent country language. It is important to note though that corporate language mandates can also have unintended negative consequences. As in the case of attempting to create a common identity around the HQ national culture, to the extent that a shared language is driven top-down it may reinforce power differences and social categorization vis-à-vis non-native speaking units. In the extreme, this may restrict the level of cross-border communication and shared mindsets the original policy intended to facilitate.⁷⁴

4. Education

Beyond specific hiring and promotion, development, and socialization of talent a more integrative approach to managing cross-border expansion would also benefit from broader education about globalization. This is particularly important because compelling evidence suggests that individuals, no matter at which hierarchical level in the organization, continue to overestimate how global the world is – while also underestimating the scope of cultural differences.⁷⁵ Relevant education can occur through widely available sources of data and information as well as experience-based sharing of knowledge and best practices in multinationals. For example, data sources such as the DHL Global Connectedness Index⁷⁶

provide general information about the levels of cross-border integration along trade, capital, information, and people flows and their country- and region-level variations. Although not entirely without problems of their own, cultural frameworks such as those by Hofstede, Robert House and colleagues, or Michele Gelfand and colleagues⁷⁷ offer information about national cultural differences and their implications for business, while other measures capturing broader cross-country distance⁷⁸ or within-country ethnic, linguistic, and religious fractionalization⁷⁹ provide a more detailed overview of the multifaceted layers of diversity that global organizations and their members are likely to encounter.

Another avenue for educating employees and managers about globalization is through a more formalized transfer of experiences and best practices. Take the case of a US-Korean joint venture for a multi-year information systems implementation project that failed dismally because of a series of cultural miscommunications, misunderstandings and biased attributions between the US American and Korean project members. What made the failure particular remarkable was that the joint venture had already existed for several years and the senior executives on the US American side of the joint venture had been in Korea for a decade; seemingly no cultural learning had been achieved, nor any cultural experiences transferred to later projects. While a single individual is hardly able to convey in-depth knowledge about multiple cultural environments, companies continue to tap too little into the experiences of their seasoned international managers. Accessing these experiences in a more structured way, for example through involvement in coaching future global leaders or culture-specific seminar series, can go a long way in raising awareness about more deeper-level contextual differences in the organization.

Finally, rising levels of globally distributed work, cross-national collaboration and virtual forms of interaction have profoundly changed the nature of work more generally. Indeed, work has become increasingly transient and temporary as employees rotate between different units, teams are regularly recomposed to adapt to changing needs, and interactions occur over distance. Given the resulting increases in diversification, fragmentation, and temporal and physical instability in the workplace the wider society shares a responsibility in preparing individuals for their professional careers. This entails a careful revision of existing design and content in secondary and tertiary education. Specific activities may include a more formalized use of international exchange programs both at high-school and university levels. While the European Union has been marshaling various international student exchange programs under its umbrella “Erasmus Plus”, such activities are much scarcer in other parts of the world. Another example is the X-Cultural project (www.X-Culture.org). Launched in 2010, it is a large-scale international collaboration project in international management education. Every semester, thousands of undergraduate and master students from more than 50 universities in over 30 countries work in global virtual teams for two months as part of their international management course. The global teams, including about seven peers from different countries, develop a business proposal as their group project. It is not difficult to see how these projects could be expanded to secondary educational settings as well.⁸⁰

Organizations can certainly have a stake in these activities. For example, the foundation of Spanish bank Santander funds several mobility grants for overseas study trips and various global projects for university students around the world. Formalizing opportunities for international internships, beyond the more common international rotational programs upon organizational entry, are another means. Public-private partnerships, many of which are used to address

educational challenges such as improving the quality of STEM talent in the U.S. (e.g., Change the Equation, US2020), could also be expanded to further globalization-related education.

IV. Conclusion

The extent to which we will be able to realize the manifold benefits that further cross-border integration holds for individuals, companies and societies at large will depend on favorable surrounding conditions, and the whitepaper has highlighted various conditions that are within the control of multinationals. Although the previous sections have mainly focused on the micro-level implications for achieving greater levels of globalization through global leadership, it will be important to more explicitly align these with relevant macro organizational dimensions. To name a few, at an organizational level cross-border integration continues to hinge on multinationals' ability to find both structural and people-related solutions to simultaneously manage global integration and local responsiveness, transfer management systems and corporate culture across locations, design and integrate talent management practices at a global level, diffuse local best practices and solutions within the wider firm, or systematically exploit differences across countries. It also requires a more holistic perspective towards relevant markers of cross-border differences, and the relative extent to which they can be shaped by multinationals.

Beyond organizational conditions, as individuals we are probably better prepared to cross boundaries than ever before – thanks to the ease of global travel, the level of sophistication of current information technologies, and an increasingly global identification of diverse talent. Instead, it seems that it is our mindsets that are lagging behind. Indeed, psychologist Carol Dweck has provided compelling evidence that success, in whatever sphere, is not only a function of talent and skills but, importantly, of whether we put these necessary preconditions to work

with a fixed or a growth mindset.⁸¹ A growth mindset towards further opening up in what continues to be a semi-globalized world and viewing diversity as an asset to leverage rather than an obstacle to overcome would go a long way towards improving cross-border integration. It is our responsibility as global leaders to ensure that we nurture and develop this mindset in ourselves and those around us.

Table 1
Recommendations for Managerial Action

Talent function	Managerial practice	Time horizon	Limitations and blindspots
1. Hiring and promotion	Develop and promote foreign nationals for country-manager and senior HQ positions	Medium-term	Overreliance on language-sensitive recruitment and promotion
	Inpatriation of foreign talent to HQ	Medium-term	Potentially limited career opportunities upon return to foreign subsidiary
	Hire and develop multicultural individuals	Short-/medium-term	Insufficient attention to how monoculturals can learn from their multicultural colleagues to improve cross-cultural effectiveness
	Hire self-initiated expatriates	Short-/medium-term	Self-initiated expatriates proactively manage their own assignment tenure, which makes retention more difficult to manage
2. Development	Adopt clear and manageable competency model	Short-/medium-term	Overly long competency lists complicate measurement and development interventions
	Customize intervention and career paths according to individual requirements	Short-term	Customization needs to be evaluated against overall consistency of competency model
	Establish pool of opportunities for and forms of international exposure	Short-/medium-term	Overreliance on short-term postings with limited developmental value
	Create and maintain central roster of global talent in organization	Medium-term	Preference/politicking for historically grown and regionally different talent systems
	Systematically plan repatriation and career paths	Medium-/long-term	Difficulty to foresee vacancies especially for long-term international assignments
	Incentivize global travel, e.g. through bleisure travel policies	Short-term	Potential for adverse selection of talent; growth of “unattractive” assignment destinations

	Offer regular and repeated cultural mentoring and training	Short-/medium-term	Insufficient involvement of local nationals, who regularly interact with global leaders/employees, in trainings
	Provide support for common language learning	Short-/medium-term	Overreliance on language-sensitive recruitment and promotion
3. Socialization	Develop a common corporate culture	Long-term	Overreliance on HQ national cultural values as source of identification
	Assess value fit at selection stage and through regular developmental appraisals	Short-/medium-term	Value congruence needs to be evaluated against required competencies and expertise
	Offer standardized induction programs	Short-term	Value depends on clarity of established corporate culture
	Offer formalized coaching and mentoring	Short-term	Value depends on clarity of established corporate culture
	Combine multiple face-to-face and virtual contact points for collaboration	Short-/medium-term	Overreliance on virtual means of interaction
4. Education	Make use of available data sources about levels of globalization and cultural differences	Short-term	Risk of sophisticated stereotyping
	Formalize the transfer of experiences and best practices	Short-/medium-term	Experiences and best practices are insufficiently tracked and archived
	Provide financial support, e.g. through public-private partnerships	Short-/medium-term	May require coordination with other external stakeholders
	Increase offer of international exchange programs/collaboration at high-school and university levels	Medium-term	Limited developmental value of short-term stays abroad
	Formalize opportunities for international internships	Short-term	Limited developmental value of short-term stays abroad

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Cross-border institution building as challenge. With regard to the functional task-focus, practical cross-border cooperation approaches in Europe are covering a wide range of material fields of action. In contrast, the typology of the criteria of "functional role of cooperation" refers to a variation in the intensity of cooperation requirements and the related performance of duties and tasks. Six ideal types of functional levels of cross-border cooperation can be identified here, that build on each other in practice in the sense of a core process and which are very often sequentially interlinked in the sense of different stages of development. The leaders of these successful companies seem to have grasped two important truths about the global economy. First, geographic and other distinctions haven't been submerged by the rising tide of globalization; in fact, such distinctions are arguably increasing in importance. In other words, regions are not an impediment to but an enabler of cross-border integration. As the exhibit "Trade: Regional or Global?" shows, the surge of trade in the second half of the twentieth century was driven more by activity within regions than across regions. The numbers also cast doubt on the idea (held implicitly by advocates of pure global strategies) that economic vitality is promoted more by cross-regional trade. A successful cross-border expansion strategy should feature (but by no means be limited to) six core points: agility, home-testing, cultural understanding, a localised website, personalised payment options, and efficient delivery options. With these six addressed, the path overseas should be solidly paved (if it hasn't been walked already).