Developing Culturally Versatile Leadership: Harnessing the Potential of an Integrated World Through Global Managerial Talent

Uddhav Gupta

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DEVELOPING CULTURALLY VERSATILE LEADERSHIP

Claremont McKenna College

Developing Culturally Versatile Leadership:
Harnessing the Potential of an Integrated World Through
Global Managerial Talent

submitted to
Professor Jay Conger

by
Uddhav Gupta

for
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Developing Culturally Versatile Leadership: 
Harnessing the Potential of an Integrated World Through Global Managerial Talent

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Author’s Note
This research project was undertaken to fulfill the thesis requirement for the Department of Psychology and contribute to the understanding of the necessity and development of cross-cultural leaders and leadership. Correspondence regarding this research thesis may be addressed to Uddhav Gupta, Department of Psychology, Claremont McKenna College, 742 N. Amherst Avenue, Claremont, CA 91711. Contact: ugupta21@cmc.edu.
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Lastly, neither this thesis nor the past four years would have been possible without the constant support and encouragement of my parents, who have always been invested in my success, and my friends at Claremont McKenna College. I am truly grateful to this institution for providing me with abundant resources and shaping my growth to achieve personal and academic success.
Disclaimer on Feature Interviews

I would like to make clear the fact that all feature interviews with the cross-cultural leaders in this thesis were either phone calls or Zoom meetings. The transcriptions at the end, and the passages in the body of this research paper, are the sum of the collection of my notes from these calls, modelled to be as close as possible to their original answers. Given my lack of journalism experience, this disclaimer is to explicitly state that these are not direct quotes from said executives. Rather, they are closer in form to overviews of my takeaways from my conversations with them.
Abstract

The world today is more integrated than ever before, with international trade and multinational corporations being a prominent part of global commerce. To lead successfully through such globalization, leaders must bring global mindsets and perspectives to their organizations to navigate critical differences in behaviors and worldviews by each unique country or culture. This study explores whether global, cross-cultural leaders make better decisions which ultimately lead to better outcomes for global corporations by exploring the relationship between cross-cultural leaders and successful organizations as measured by customer satisfaction, employee engagement and development, innovation, social responsibility, financial strength, and stock performance. This study collected data on 120 publicly traded companies headquartered in the United States. I hypothesized that there is a positive relationship between cross-cultural leaders and successful companies. The results indicate that cross-cultural leaders were correlated with higher ranked companies by outperforming non-cross-cultural leaders on all of the six metrics above. In addition, this thesis also discusses why cross-cultural leaders are needed more today than ever before from the lenses of global trade and migration, the traits required to be a successful cross-cultural leaders, and how companies can develop cross-cultural talent, all with a focus on their implications for organizations.

Keywords: leadership, cross-cultural leader, global leader, leader development, globalization, international trade
Chapter 1:

Definitions, Background, Methods, and Why We Need Cross-cultural Leaders Today
The world today is more integrated and interdependent than it has ever been before, with international trade and multinational corporations being a prominent part of global commerce. To lead successfully through such globalization, it can be inferred that it no longer suffices to possess a domestic mindset. Instead, successful leaders must likely bring global mindsets and perspectives to their organizations to navigate critical differences in behaviors and worldviews by each unique country or culture, effectively cater to a wide range of economies through nuances in demographics, regulations, and politics, and traverse a more intricate business landscape where cross-boundary trade, employee base, and activities such as mergers and acquisitions are more the norm rather than exceptions.

Therefore, this thesis aims to explore whether global, cross-cultural leaders make better decisions which ultimately lead to better outcomes for global corporations. It does so by exploring the relationship between cross-cultural leaders and successful organizations as measured by customer satisfaction, employee engagement and development, innovation, social responsibility, financial strength, and stock performance. The primary hypothesis this research examines is that there is a positive relationship between cross-cultural leaders and successful companies. This is because a cross-cultural leaders are likely to be better able to relate to the differences across cultures, and economic and political landscapes, and are therefore more sensitive to differences and can respond appropriately.

A global leader is essentially anyone who manages across borders or manages a team outside of her home country. These can be people across all levels of the organization interacting with an increasingly diverse set of colleagues and customers.
Global, cross-cultural leaders today are needed today for three primary reasons. First, individuals with cross-cultural backgrounds bring a stronger strategic perspective to address the unique needs of individual host countries (Korn Ferry, 2014). It should be noted that, in this thesis, I use the terms cross-cultural and global interchangeably to describe leaders though others can argue that they are somewhat different constructs.

A study by Dragoni et. al. (2014) of 231 upper-level leaders revealed that time spent pursuing global work experiences positively affected the strategic thinking competency of these leaders. This was especially true for those who were exposed to more culturally distant countries. Multinational companies have increasingly large international operations, and a larger proportion of total revenues come from abroad. For example, for the year ended December 31, 2019, Coca-Cola earned 81.4% of operating income from three regions outside North America: Europe, Middle East and Africa (EMEA), Latin America (LATAM), and Asia Pacific (APAC). These numbers exclude contributions by global ventures, bottling investments, and corporate (The Coca-Cola Company, 2020).

In addition, rising levels of nationalism are leading to consumers purchasing more local products. Over the past few years, rising nationalism can be seen around the world, from Brexit, to the election of Donald Trump, to the policies of Narendra Modi, as well as the success of far-right parties in Italian, German, and Austrian elections in 2017 and 2018 (Bieber, 2018). Furthermore, this new wave of nationalism extends well beyond politics and into the idea of global trade and capitalism (Castello & Mihelj, 2019). For instance, in an India whose economy has been ravaged by the coronavirus pandemic, the
Modi-led government is asking people to opt for domestic products in a drive towards “Atmanirbhar Bharat,” or a self-reliant India (Times of India, 2020). Therefore, being global brings its strategic challenges.

To remain competitive, large conglomerates must be locally flexible to engender a feeling of “localness” with the unique products they create for host markets. Hindustan Unilever (HUL), a subsidiary of the British-Dutch multinational Unilever, is a great example of a brand that has managed to do just that. The largest Fast Moving Consumer Goods company in India and with over 80 years of history, HUL’s portfolio contains over 35 brands across 20 categories such as soaps, shampoos, cosmetics, tea, coffee, packaged foods, and water purifiers. Most of these are leading brands that are omnipresent in Indian households, including Lux, Lifebuoy, Vaseline, Dove, Brooke Bond, Bru, and Kissan. Nine out of ten Indian households use the company’s products (Hindustan Unilever, 2020). In fact, more Indians use HUL products than those who own television sets or vote (Sitapati, 2019).

HUL’s grip on Indian households stems from its consumer empathy which allows it to deeply understand the met and unmet needs of domestic consumers and bring those needs to life in the form of products that are loved by hundreds of millions of customers (Economic Times, 2019). This is what has allowed the company to achieve such stellar growth. In its first annual report after having been newly incorporated, it made 10 million rupees in profits after tax. In 2019, it made 60.8 billion rupees in profit after tax – a compounded rate of 15 percent annually. In fact, due to brilliant marketing and social responsibility, the company grew its profits over 6,000 times in the time the Indian economy grew just 1,400 times. At a market capitalization of over $60 billion, HUL is
larger than the global valuations of companies such as Colgate Palmolive and Reckitt Benckiser (Sitapati, 2019).

According to McKinsey & Co. (2012), increased diversity of customers and markets can lead to challenges with strategy development and allocation of resources. In a study involving interviews with 300 senior executives at global companies, fewer than 40 percent thought that their company beat local competitors at understanding local environments and customer needs. Moreover, only about one out of every two executives indicated that their companies clearly communicated strategy to employees in all markets where they operate (McKinsey, 2012). If economic data is examined through the concept of purchasing power parity (PPP), emerging markets today – including India and China – represent over 50% of world GDP, and regularly outstrip the growth rate of developed markets (Egon Zehnder, 2015). With the changing mix within the customer bases of multinational corporations, the need for visionary global leaders becomes even more pronounced.

Second, the number of aggregate mergers and acquisitions (M&A) deals closed over time, including those carried out across borders, remains at high levels and has shown an increase over time. Exhibit 1 illustrates this steady increase in deal volume, from approximately 2,000 deals a quarter in 1990 to approximately 8,950 deals a quarter (for a total of 35,800 during the year) in 2018 (Boston Consulting Group, 2019). In addition, Exhibit 2 illustrates that the number of deals greater than $250 million has gone up from 939 in 2002 to 2,298 in 2018. Similarly, the number of megadeals (those greater than $10 billion in size) has increased from 9 in 2002, to 44 in 2018 (J.P. Morgan, 2019).
Exhibit 1: M&A deal volume has shown a sustained increase between 1990 and 2018.

Source: Boston Consulting Group, 2019.
Exhibit 2: number of deals greater than $250mm and greater than $10bn between 2002 and 2018.

To analyze the impact of such deal-making on cross-cultural leadership, we must look at cross-border deals, which are the most challenging. This is evidenced by Bayer’s acquisition of Monsanto which took 746 days to complete. Similarly, conflict between the United States and China has led to additional roadblocks, for instance the rejection of Broadcom’s proposed acquisition of Qualcomm by the United States and Qualcomm’s failed attempt at acquiring NXP due to difficulties with Chinese regulators (J.P. Morgan, 2019). Nevertheless, the targets of most M&A deals are outside of the United States. Of total 2018 announced deal volume, only 29% of targets were in North America (down from 38% in 2017), with the rest being scattered around the world: 55% were in Europe, the Middle East, or Africa (EMEA), 11% were in the Asia-Pacific region (APAC), and the remaining 5% were in Latin America (LATAM) (J.P. Morgan, 2019). Exhibit 3 illustrates this breakdown for the years 2013 through 2018.
Exhibit 3: Cross-regional announced deal volume broken down by region

Moreover, we see a convergence of East and West – historically two very different regions in terms of their cultures – through increased cross-jurisdictional M&A in countries such as India and Japan. Between 2014 and 2019, Indian M&A deal volume went from $62 billion to $92 billion, briefly hitting $109 billion in 2018. Inbound deals from other countries made up 63% ($58 billion) of 2019 volume, up from 26% ($16 billion) in 2014 (Exhibit 4). Meanwhile, Exhibit 5 shows Japanese M&A deal volume rising from 25 deals in 2014 to 53 deals in 2019. 43% (23 of 53) of deals were outbound in 2019, up from 24% (6 of 25) in 2014 (J.P. Morgan, 2020).

In a poll of 1,000 executives at U.S. corporations and private equity investor firms in September 2020, 74% of corporate respondents and 79% of private equity respondents stated that taking advantage of disruptive opportunities to enter new markets and business areas is a very high priority when considering offensive M&A options (Deloitte, 2020). Furthermore, according to another survey, 55% of buyers in 2018 bought to embrace growth strategy through reasonable acquisition proposals and to achieve growth through acquisitions rather than do so organically (International Mergers and Acquisitions Partnership, 2018). This complements the information above in that cross-cultural leaders who can visualize the international competitive business landscape are needed to fully take advantage of opportunities to enter new markets.
Exhibit 4: Indian M&A announced deal volume in billions of USD between 2014 and 2019. “Other” reflects an Indian parent/target targeting or being targeted by a foreign entity.

Source: J.P. Morgan, 2020
Exhibit 5: The rising trend of $1bn+ Japanese M&A deal volume in number of transactions. Note the increase in outbound transactions. “Other” reflects a Japanese parent/target targeting or being targeted by a foreign entity.

Another factor catalyzing the convergence of the various parts of the world is the growing number of people living outside of their home countries. This means that every geography has a workforce that is made up of not only citizens, but also individuals of international origin, and this trend is only growing. Furthermore, people of different origins are also likely to have different values and worldviews. This makes it important to understand how to communicate across cultures. In 1970, there were 84,460,125 international migrants around the world (2.3% of world population). This number hit 173,588,441 (2.8% of world population) by the year 2000. As of 2019, the figure stood at 271,642,105 (3.5% of world population), with 74% of these migrants being between the ages of 20 to 64 – a huge working age population (United Nations, 2019).

Moreover, immigrants and expatriates are not limited to specific geographies. They are distributed around the world, making global leadership a necessity everywhere. Exhibit 6 illustrates the breakdown of international migrants by region of residence between the years 2005 and 2019. In 2019, Asia and Europe hosted 61% of total migrants, at 84 million and 82 million respectively. They were followed by North American at 22% or 59 million migrants. Thereafter came Africa, Latin America and the Caribbean, and Oceania, at 10 percent, 4 percent, and 3 percent respectively (United Nations, 2019). The proportion of expats in this number has risen too. The total number of expatriates stood at 66.2 million (25.7%) in 2017, up from 52.8 million in 2013 (24.4%), and yielding a 5.8% compounded annual growth rate between those years (Finaccord, 2018). By 2021, Finaccord (2018) forecasts that this number will reach 87.5 million (28.5%) globally.
Exhibit 6: International migrants by region of residence (in millions). Categorization of regions is based on the United Nations Department of Economic and Social Affairs.

Source: United Nations, 2019
Third, in the COVID age, it is important to create feelings of psychological and emotional safety through empathy. This is especially true with the increased focus on diversity and inclusion in recent times, and with the movement sparked by racial violence earlier this year. Several studies have found that even simple, short-term experiences such as study-abroad experiences have a noticeable impact on intercultural sensitivity and communication skills. This has been consistent regardless of the test employed. For example, Williams (2005) used the Cross-Cultural Adaptability Inventory and Intercultural Sensitivity Index to confirm the hypothesis that students who studied abroad demonstrated a larger change in intercultural communication abilities compared to students who remained on campus. Additionally, exposure to various cultures was the greatest predictor of such abilities. Similarly, Patterson (2006) found through the Intercultural Development Inventory test that the study abroad group revealed noticeable improvements as opposed to the control group. By extension, it can then be inferred that executives who have global experiences are likely to demonstrate similar beneficial traits and skillsets.

Moreover, studies show that employees value inclusive and global leadership and mindsets. One in three employees prefer to work for an organization that demonstrates responsibility towards all shareholders (Mercer, 2020). Trust trickles from top to bottom, and employees trust CEOs who they relate to and see as a whole person: CEOs who they know, understand and respect, and one who shows interest and curiosity in others to strengthen relationships (Egon Zehnder, 2020).

Executives with global and diverse mindsets are ones who understand individuals and groups from a diverse range of international situations, and who use that
understanding to inspire positive synergies for the organization by adapting and influencing across a range of cultures and situations (Egon Zehnder, 2017). This pertains to cultural intelligence, and not just emotional intelligence. Whereas a person with high emotional intelligence understands what makes each individual unique, a person with high cultural intelligence is able to effectively analyze a situation to determine how much of a person’s behavior pertains to group-oriented or cultural idiosyncrasies (Harvard Business Review, 2004). However, people become global leaders through doing global work (McCall & Hollenbeck, 2002), and therefore it is essential to encourage employees to pursue such opportunities. Exhibit 7 shows that international or cross-cultural experience has been seen to be highly prized by leaders across all levels, with approximately 60% of CEOs, senior executives, and business unit leaders, 45% of mid-level leaders, and 40% of first-level leaders believing it has been a formative career experience (Korn Ferry, 2015).
Exhibit 7: the prevalence of key career experiences, broken down by management level

Source: Korn Ferry, 2015.
This study builds upon prior research on developing global executives and aims to find major trends amongst the various sources out there for: the importance of cross-cultural leadership, the traits of a cross-cultural leader, and how to encourage development of global and cross-cultural talent. It adds to the above through two unique aspects. First, by determining whether there is a correlation between cross-cultural CEOs and well-run companies (using data on the best-run American companies for 2019 as found by CGU Drucker and The Wall Street Journal). Next, through exclusive interviews from executives on the KLI board, CMC alumni or, and my own network, with them discussing how their global nature has helped them outperform their peers and be successful in their industry.

For the purposes of this experiment, leaders are cross-cultural if they fall into one of five specific categories: they themselves are immigrants, their parents are immigrants, they have lived in international locations while growing up (until the time they graduate college), they have foreign work experience, or they ran an international division within their firm.
Methodology

The first step of the process is literature review. This involves existing books, articles, and research papers relevant to international leadership, and leadership development. The goal is to find trends amongst the various sources out there for: the importance of developing global executives, the traits of successful global leaders, and how companies can develop global talent. This shall build upon an introductory section on the history and evolution of cross-cultural leadership, all the way back from the British and Dutch East India Companies sending ambassadors abroad, to a boom in international expansion of U.S. businesses after WWII, to the rise of the Asian tigers, and to the rise of China in the 1990s.

The next steps pertain to adding unique elements to this research. Step two involves determining whether there is a correlation between cross-cultural CEOs and well-run companies (using data on the best-run American companies for 2019 as found by the Drucker Institute at Claremont Graduate University) using statistical analytics packages. Cross-cultural can be defined as any of the following: they are immigrants, their parents are immigrants, they moved around during their childhood (for example, their parents were expats, or they attended boarding school abroad), they worked abroad earlier on in their careers, or they completed a degree abroad (excluding study abroad).

The above shall be determined for 120 companies picked through stratified sampling (25 randomly selected from each quartile in addition to the top 10 and bottom 10 in the dataset). The scores determining a company’s rank are: customer satisfaction, employee engagement and development, innovation, social responsibility, and financial strength. These scores shall be correlated with the various subfactors within two primary
buckets that I shall find information for. The first set is current CEO factors: associated country (if cross-cultural), age, sex, length of tenure as CEO, industry, internal or external hire, age when they became CEO and 2019 stock performance. Meanwhile, predecessor CEO factors include whether the predecessor was cross-cultural, and length of CEO tenure.

Step three integrates case studies into the section on encouraging global leader development. The companies that will be studied include Coca-Cola, L’Oreal, Schlumberger, General Electric, P&G, Shell, and Nestle. They are all companies who have established successful global leader development programs.

Step four is about integrating five interviews with all the above sections. Interviewees are either KLI Advisory Board members, CMC alumni or parents, or part of my network, and they will talk about how their global experience has helped them outperform their peers and be successful in their industry.
Chapter 2:

The Evolution of Our Need for Cross-Cultural Leadership
“Before, the events that took place in the world were not linked. Now, they are all dependent on each other,” said the Hellenistic Greek historian Polybius. Indeed, this maxim is today more relevant than ever before. Our lives at present are more interconnected than they have ever been through the effects of globalization.

Globalization refers to the expansion of global linkages, the organization of social life on a global scale and the growth of a global consciousness (Shahzad, 2006). Every country is dependent on a set of others to meet the needs of its habitants, thus giving rise to global trade, which has been climbing steadily uphill over the course of modern civilization. For instance, between 1980 and 2019, global merchandise exports have increased over nine-fold from just over two trillion to almost 19 trillion U.S. dollars (Exhibit 1). Similarly, Exhibit 2 illustrates how global exports of commercial services have risen from US$ 2.6 trillion in 2005 to almost US$ 6.1 trillion in 2019 (World Trade Organization, 2020).

Given that $2 trillion in Exhibit 1 is a large figure from a relatively recent time, I explored this trend from 1800 to 1937 using recent data compiled by Federico and Tena-Junguito (2018). This recently collected data, graphed in Exhibit 3, expresses global aggregate exports between those years, expressed in terms of current dollar prices and current national borders. We find that this number rose from $421 million in the year 1800, to nearly $24 billion in 1938.

Therefore, we witness an amazing trend here. Simple calculation reveals that global trade only increased 57 times in the first 138 years since the year 1800, but increased a whopping 1,042 times in the 81 years that followed. The rate at which international trade has grown in the years after World War II is astounding! It is also worth noting that today, exported goods make up nearly 25% of world gross domestic
product (GDP), versus less than 10% in 1870. This shows that global trade has grown more than proportionally with respect to the growth in world GDP (University of Oxford, 2018).
Exhibit 1: The steady growth in global merchandise exports – up from $2tn in 1980 to $19tn in 2019.

Source: World Trade Organization, 2020

Exhibit 2: The steady growth in global commercial services exports – up from $2.6tn in 2006 to $6.1tn in 2019.

Source: World Trade Organization, 2020
Exhibit 3: Global aggregate exports from 1800 to 1937, expressed in terms of current prices, and considering current borders.

Source: Federico and Tena-Junguito, 2018
Exhibit 4: Value of exported goods as a percentage of GDP, trend from 1827 to 2014.

Source: University of Oxford, 2018
To understand why and how global trade has proliferated exponentially, we must understand the key turning points that enabled this acceleration. In order to do so, we shall begin from the prosperous states of the Renaissance and conclude in modern day China. Major technological improvements pushed trade to all continents during the Renaissance: the printing press spread knowledge, postal infrastructure advanced (Franz von Taxis created a network linking Innsbruck to Brussels in just five days), and ships grew larger and were equipped with perfected navigation techniques such as the cartography and the compass.

The European colonial empires – beginning with the Portuguese and the Spanish in the 15th and 16th centuries, followed by the British, the French, and the Swedish beginning in the 17th century – also encouraged the flow of goods and people amongst their territories across continents (Huart & Verdier, 2013). For example, the United East Indian Company, established in 1602 and known as the first multinational corporation, relocated a million expatriates between 1602 and 1796 (Commisceo Global, 2016). The doctrine of mercantilism became dominant economic and political policy as the nations brought together their distant colonies.

Next, the industrial revolutions of the 18th to 20th centuries led to explosive international trade, thanks to the unprecedented rate of globalization fueled by the steam era (followed by the combustion engine) and new transportation methods including expanded railroads and faster, cheaper shipping. With the construction of the Suez Canal and the Panama Canal, people and goods moved more freely. Communications also advanced significantly. In 1865, Paul Reuter took 11 days to inform London of Abraham Lincoln’s assassination. Just a year later, the first underwater transatlantic cable was
operational, making transfer of information instantaneous. This facilitated globally coordinated pricing of goods and financial markets, and enabled cross-border trade (Huwart & Verdier, 2013).

Combined with diminishing protectionist sentiment, this led to increased global trade and human migration. Borders were wide open to people during this period: 15.8 million migrants settled in the United States and Canada welcomed 0.86 million. During the 19th century alone, 60 million Europeans emigrated to other continents. Moreover, in 1846, the British government abolished the Corn Laws, which for over 30 years prior protected local landowners from foreign cereal farmers, and tariffs on exports to France dropped to 24%. In addition, France signed multiple customs treaties with neighbors such as Belgium, Italy, Spain, and Switzerland. As a result of all this, trade soared amongst European nations. Between 1840 and 1913, global trade volume grew sevenfold, and its share of global GDP rose from 1% to 8% (Huwart & Verdier, 2013).

In July 1944, towards the end of World War II, 44 allied nations signed the Bretton Woods agreement – an action that defined international economics in the coming decades. The agreement led to the formation of the World Bank, which has facilitated reconstruction and development, and the International Monetary Fund, which has helped maintain a stable international monetary system (Huwart & Verdier, 2013). Both of these entities have therefore been key to catalyzing international trade.

Since the time the General Agreement on Tariffs and Trade (GATT) was created in 1947, the world has seen several rounds of trade liberalization (International Monetary Fund, 2001). These saw the elimination of artificially imposed barriers to trade such as a range of customs duties, and trade proliferated. Between 1947 and 1994, average tariffs
worldwide dropped by 80 percent. The formation of the World Trade Organization in 1995 allowed member countries to take countermeasures against other members who did not honor commitments, and facilitated negotiations on trade in goods, services, and intellectual property (Huwart & Verdier, 2013). Today, the WTO has 164 member nations (World Trade Organization, 2020). In addition, global weighted-average tariffs across all products fell to 2.59% in 2017 (World Bank, 2018).

Technological advancements aided the post-war progression. Transportation and communication systems improved. For instance, jet planes made travel faster, air cargo companies were founded in 1948, the growth of commercial aviation brought the world closer together, and the tourism industry took off. By 1948, 24 million people travelled by air, up from 9 million just three years earlier. The invention of containerization allowed goods to travel cheaply and more efficiently around the world (Huwart & Verdier, 2013). As international trade grew and the war was left behind, countries subscribed to the idea of comparative advantage, meaning they focused on the goods that they could produce more cheaply and efficiently than another country, and interdependence grew (The Library of Economics and Liberty). Moreover, international phone calls have gotten significantly cheaper with time. In 1930, a three-minute call between New York and London cost $250, which came down to less than 23 cents in 2000 (Huwart & Verdier, 2013). Today, it is essentially free over the internet. This allowed teams to coordinate over long distances and for foreign workers to stay in touch with loved ones, all paving the way for further globalization and integration.

The idea that trade and investment with partners around the globe are necessary for sustained economic growth and increasing standards of living is supported by Exhibit
5, which shows a positive correlation between annual growth in real GDP per capita and the annual change in merchandise exports as a percentage of GDP for various countries around the world between 1945 and 2014. This is most evident through the economic success of East Asia, where import tariffs fell from 30 percent to an average of 10 percent between 1980 and 2000 (International Monetary Fund, 2001).

From the 1960s to the 1990s, the Asian tigers – Hong Kong, Singapore, Taiwan, and South Korea – fascinated the world with regular double-digit growth. Within a generation, people went from being farmers to highly educated professionals (The Economist, 2019). Exports fueled this growth. South Korea, its exporters benefiting from cheap credit, exemptions from import duties, and a devalued Won, produced tinplate, plywood and textiles. After success in lighter industries, the country pitched more capital-intensive industries such as shipbuilding. Taiwan empowered new entrepreneurs through cheap credit and tax breaks and has now forayed into semiconductors and other advanced technologies. Meanwhile, Hong Kong was the world’s largest toy manufacturer for a part of the 1970s. Today, it is Asia’s financial hub. Lastly, Singapore positioned itself as a base for production too, catching General Electric which set up its clock-radio factory in the city. However, in 1981, it created the National Computer Board whose mandate has been to develop high-tech workers (The Economist, 2019).

Despite becoming wealthier and more developed over time, exports have remained a key component of the Tigers’ economies. Today’s exports make up 45 percent of South Korean GDP, 65% of Taiwanese GDP, and almost 200% of Singaporean and Hong Kong GDPS. (The Economist, 2019). Exhibit 6 illustrates the Tigers’ remarkable GDP growth through an illustration of GDP per capita as a percentage
of that of the United States (at purchasing power parity). Between 1970 and 2017, Singapore rocketed 25 percent to around a 140 percent, Hong Kong has risen from 35 percent to 100 percent, Taiwan has more than quadrupled from 20 percent to 85 percent, and South Korea has graduated from 10 percent to 65 percent. Also noteworthy is that three of the four countries have surpassed the GDP percentage of Japan, their former colonizer. The fourth, South Korea, has also matched up as well (The Economist, 2019).
Exhibit 5: Annual growth in real GDP per capita versus annual change in merchandise exports as a percentage of GDP (1945-2014).

Source: University of Oxford, 2018

Source: The Economist, 2019
China’s explosive growth soon began to cast its shadow on the fast-rising Tigers. Exhibit 7 shows China’s immense growth in its share of global merchandise exports to approximately 12 percent in 2018, versus the Tigers’ share of global merchandise exports, which has remained constant at approximately 10 percent for the past 25 years (The Economist, 2019). Under Chairman Mao Zedong, China maintained a command economy where most of the country’s resources and output were controlled by the state. In the 1950s, China’s household farms were combined into communes, and the country made large investments in capital during the 1960s and 1970s. By the time Chairman Mao died in 1976, nearly three quarters of production was controlled by state-owned enterprises to service government output targets (Congressional Research Service, 2019).

Beginning in 1979, China opened up to foreign trade and investment in accordance with free-market principles in hope that this would lead to economic growth and higher standards of living. Since then, it has been one of the world’s fastest growing economies, with its GDP growing at an average of 9.5 percent through 2018 and has lifted 800 million people out of poverty. Economists credit this to rapid productivity growth along with large-scale capital investments financed by domestic savings and foreign direct investment. Today, China is the world’s largest economy on a purchasing power parity basis, and International Monetary Fund data indicates that it did so in 2014. In 2018, China’s nominal GDP was $13.4 trillion, or $25.3 trillion on purchasing power parity basis (Congressional Research Service, 2019).
Exhibit 7: Countries’ share of global merchandise exports, as percentages (1986-2018).

Source: The Economist, 2019
Therefore, we see that the world today is more interconnected than ever before, and this fuels our need for global leaders who are sensitive to a broad spectrum of cultures and understand the consumer base and regulations of global markets. As early as 20 years ago, 62 percent of bilateral trade was amongst wealthy countries like Europe, Canada, and the United States. Today, the value of trade amongst emerging economies has risen 10 times and that share is down to 47 percent (Bloomberg, 2019).

Indeed, it is difficult to visualize just how complex our global trading ecosystem is today. Therefore, Exhibit 8 and Exhibit 9 serve as visual aids to help us picture our modern dependence on international trade and consumption of goods produced in other countries. The colorful dots in Exhibit 8 represent exports from every country around the world. Each pixel represents $100 million in merchandise exports. Similarly, Exhibit 9 illustrates society’s large dependence on maritime shipping by presenting a snapshot of the locations of all the tankers, cargo and commercial vessels at a given point in time.
Exhibit 8: Global trade by country. Each pixel represents $100 million of exports.

Source: Harvard, 2020

Exhibit 9: Live positions of tankers, cargo and commercial vessels across the world as of October 10, 2020 at 23.00 (GMT +5.30).

Source: MarineTraffic, 2020
This complexity is evident not only at a global level, but also at an individual country level. In Exhibit 10, we see that life in the United States depends on goods from its numerous trade partners. In 2018, $2.41 trillion on imports, of which $499 billion, or 20.7% was from China. Broadcasting equipment, computers and office machine parts were the three biggest categories within, making up 11.6 percent, 9.2 percent, and 5.0 percent respectively (Observatory of Economic Complexity, 2019). Moving on to China, which is the largest importer of commodities in the world by a large margin, Exhibit 11 clearly illustrates the flows of such goods from around the world, forming an intricate web. Of the $5.8 trillion in global commodities imports in 2018, China was responsible for $801 billion, putting it significantly ahead of the United States which was at number two with $465 billion.

Moreover, this complexity is also evident within individual companies with their intricate, global supply and distribution networks. Exhibit 12 represents a supply chain analysis of the aerospace company Boeing, with 242 suppliers and 70 customers (Bloomberg, 2020). Diversity of national origin is evident even in the limited selection visible in the figure. For instance, amongst the suppliers, Raytheon Technologies is American, Dassault Systemes is French, Mitsubishi Heavy Industries is Japanese, and Leonardo SpA is Italian. Meanwhile, among customers, United Airlines is American, Qatar Airways is Qatari, ANA is Japanese, and Cathay Pacific Airways is Chinese.

Therefore, the opportunities for companies today are both immense and global in scope. Income, demographic, and consumption trends vary by country, and having the relevant knowledge and information can help companies allocate resources appropriately to best cater to their customer base and beat the competition (McKinsey, 2012).
Exhibit 10: Supply chain analysis for aerospace company Boeing, illustrating connections to suppliers, customers, and competitors.

Source: Observatory of Economic Complexity, 2019
Exhibit 11: $801 billion in commodity flows to China from around the world (2018)

Source: Chatham House, 2019
Exhibit 12: Supply chain analysis for aerospace company Boeing, illustrating connections to suppliers, customers, and competitors.

Source: Bloomberg Terminal
The above insights are supported by the perspectives of our panel of cross-cultural leaders. When asked about the contexts in which there is a requirement for cross-cultural leaders today, and whether there are historic contexts where cross-cultural leaders were required but this is no longer the case today, they responded:

_It is required in most organizations that want to trade across borders, unless you're working in places where the languages are specific, for example, Arabic, Hungarian, or Hindi. People need to understand that if I work for an Indian company and I am Arab there is no such thing as a glass ceiling. I will never be handicapped for not being part of the same culture. But this requires a sense of fairness and a sense of openness. The best combinations I have seen are where someone goes for the best talent out there but then creates a team spirit which is then a derivative of cross-think and fairness of leadership. A fair system does not handicap people from different cultures. For example, the employer understands that if I am Arab I need to leave work to pray on Friday, while a Jew might go the next day._

-Ahmed Al-Sager (Board, Kuwait Investment Authority)
I think the world is just getting smaller rather than bigger. People are connected in such a close-knit fashion. Partly because of technology, partly newer perspectives, partly Gen-Z. The notion of me coming from here and you coming from there is evaporating. With technology being so ubiquitous, we can make a business deal on Zoom and it wouldn’t matter where you come from. You have to understand different impulses, and live work and breathe in different environments. In fact, this is more relevant to what’s happening around the world today rather than in history. Look at the historical events of the last 100 years, and look at World War I and World War II, and look at the holocaust and examine the leaders who were relevant then, like Churchill in the UK, Roosevelt in the US, and Gandhi in India. Gandhi was able, because of his cross-cultural exposure growing up in an Indian multigenerational family combined with Hindu philosophical underpinnings and his experiences in South Africa, to stand up at the time to a global superpower.

-Akshata Murty (Director, Catamaran Ventures)
Cross-cultural leadership and managerial skills are more pervasive now than they have ever been. I cannot think of an instance where they were applicable before where they are not now. The context and need for cross-cultural awareness and leadership is really about people. In most organizations people really define the products, development, revenues, and success in the company. It all comes down to people. In a world where you’re trying to have the most diverse talent pool, one of the goals of diversity from a business perspective is to have different inputs, creativity and viewpoints to problem solve and innovate. For companies that need to do that as part of their daily function, having diverse talent is important. Being able to attract and retain diverse talent means the leadership has to have the skills to work and lead in a multicultural fashion.

-Charles Mounts (Chief Index Officer, S&P Global)
If anything cross-cultural leaders are required even more for two reasons. A significant portion of your supply and demand chains are likely to come from some country other than your own. Even in your own country, depending on where you are, your competitors are likely to be global competitors and your customer basis is likely to be influenced by global trends. So, whether you look at domestic marketplaces or the fact that your suppliers and demand might be overseas, there is no escaping the reality that you better understand how the globe works. And the world is not homogeneous, so cross-cultural issues need to be well understood as well. So, I think the need is going up and not down.

-Navtej Nandra (former CEO, Morgan Stanley Investment Management)

In the world that we are in now, the world is shrinking because of technology, social media, and also regular media – the ability to get on Netflix and watch a Bollywood movie, a movie from Argentina et cetera. For people in leadership roles, it is imperative you have not only have international and cross-cultural ability, but connect across communities: the LGBTQ+ community, the black community, the Latino community. I think a leader needs to be comfortable in very diverse environments: culturally diverse as well as diversity and inclusion. But I also think that more people will be coming out of environments where diversity and cultural sensitivity is already part of the training. It is much less likely that someone will come out of an environment with only one background of people.

-Douglas Peterson (Chief Executive Officer, S&P Global)
Chapter 3:
Characteristics of Successful Cross-Cultural Leaders
Our already intricately interconnected world will only become more complex as the numbers of people and businesses in the global economy rise, and as more markets around the world emerge on to the international stage. To harness the potential of a global, integrated economy, we need global leaders who can empathize with colleagues from a diverse range of international origins and situations in order to adapt their leadership style so they can successfully drive results for the organization. Therefore, such leaders must know when and how to adapt, which skills to cultivate, what knowledge to acquire, and how to apply their learnings across a broad range of subject matter (Conger, 2018).

Most cross-cultural leadership theories today build upon the implicit leadership theory, the value/belief theory of culture, the implicit motivation theory, and the structural contingency theory of organizational form and effectiveness (House, Ruiz-Quintanilla, Javidan, & Gupta, 2002). First, the implicit leadership theory states that individuals have implicit beliefs, convictions, and assumptions about the attributes and behaviors that distinguish leaders from non-leaders, and effective leaders from non-effective ones. As a result, people are accepted as leaders on the basis of the level of fit between the leadership behaviors exhibited by an individual, and the implicit leadership theory of the attributers (Lord & Maher, 1991).

This leads us into the value/belief theory, wherein members of a culture hold values and beliefs that influence the behaviors of other individuals, groups, and institutions within society, and the degree to which such behaviors are viewed as acceptable or unacceptable. Hofstede’s take on the theory covers four cultural dimensions: power distance, uncertainty avoidance, individualism versus collectivism,
and masculinity versus femininity (Hofstede, 1980). The value theory helps us understand the relativity of behaviors as illustrated by the examples in the following paragraphs.

Third, as per the implicit motivation theory, the nature of human motivation can be understood in terms of three non-conscious motives: achievement, affiliation, and power or social influence. These motives are predictive of behavioral patterns in social relationships, citizenship behavior, child-rearing practices, and leadership styles (McClelland, Atkinson, Clark, & Lowell, 1953).

Fourth, the structural contingency theory posits that, in order to survive, organizations must meet a certain set of demands – referred to as organizational contingencies – that are imposed on them. These contingencies are universal and culture-free. They influence organizational form and any disparities affect perceived organizational effectiveness (Donaldson, 1993; Hickson, Hinings, McMillan, & Schwitter, 1974).

The above is consistent with the idea that cultural differences influence not only how leaders are perceived, but also how they must lead across various cultures. It influences and challenges norms regarding status, influence, and leader privileges. For example, the Dutch are skeptical of the value of leadership – words such as leaders and manager carry a stigma – and emphasize egalitarianism instead. In such society, it is likely that leaders are seen as a necessary evil in democracy. Meanwhile, Malaysian expect leaders to behave modestly, and remain humble and dignified. On the other hand, Americans respect leaders who either grant autonomy and delegate authority to subordinates or are confident risk-takers. Similarly, the French appreciate leaders like De
Gaulle and Mitterand who exemplify strong charismatic leadership, and yet are consensus builders and effective negotiators (House et. al., 2002).

A 2014 GLOBE CEO Study examined data from over 1,000 CEOs and over 5,000 senior executives from companies in 24 countries operating across various industries to build upon earlier findings by looking into how a society’s culture influences behaviors modelled by leaders, and whether a leader’s success depends on a CEO matching his or her leadership style to societal expectations. The researchers found that cultural values manifest culturally endorsed expectations for leaders, which then predict behavior. In turn, the fit between a CEO’s behavior and the host society’s expectations for leaders predicts the CEOs effectiveness. Moreover, it also predicts the level of firm competitive performance and dedication of the top management team, thereby creating better results. In the study, superior CEOs exceeded society’s expectations along most dimensions, but especially in charismatic and team-oriented leadership, and in administrative competence. Inferior CEOs tended to be more autonomous than expected (GLOBE, 2014). Exhibit 1 shows a comparison of superior and inferior CEOs for firm competitive performance and top management team dedication. Exhibit 2 represents this information in terms of how far each type of leader deviated in either direction from what was expected of them.
Exhibit 1: comparison of superior and inferior CEOs for firm competitive performance and top management team dedication.

Exhibit 2: deviation from societal expectations for superior CEOs versus inferior CEOs

Consequently, a thorough review of major literature from the past reveals a set of core traits for successful cross-cultural leaders. However, these can be distilled down into four primary traits. As explained by Conger (2018), a key attribute of high potential talent is their ability for catalytic learning, and that is what these four traits – in essence qualities of emotional intelligence – are centered around. After all, if leaders are able to read the culture, they can also determine how to behave and how much of each of the above traits to employ in each unique context in ways where they do not undermine one another and generate the largest impact.

First, they have high cultural intelligence and adaptability. This helps them approach unfamiliar and ambiguous situations with empathy and sensitivity which allows them to better adjust to their host culture. Second, they are life-long learners, and possess a strong growth mindset. As a result, they approach novel situations with open-mindedness and are willing to learn about cultures other than their own. Third, they develop skillsets that add value to both their role and their organization. This enables them to deliver impact in a way that justifies for the organization the higher costs of expatriation. Lastly, they are highly resilient and are able to quickly recover from setbacks. In foreign assignments where there tends to be a high likelihood of failure resulting from uncertainty with not only the culture but also domestic and international forces, this means that executives can quickly pivot to take risks and achieve success.

However, while exploring these traits further, it would be prudent to bear in mind the limitations of the trait approach to define good leadership. First, there is no definitive list of traits that determine the quality of a leader. Second, the approach is universal and does not always take situational factors into account. Lastly, the trait approach only
weakly describes how a leader’s traits affect group and team outcomes within organizations (Northouse, 2007).

**Trait one: successful cross-cultural leaders possess significant cultural intelligence and demonstrate cultural adaptability.**

Cross-cultural leaders must possess intercultural sensitivity and be comfortable with ambiguity. In order to do so, leaders must be career-piloting. This means they must be comfortable with non-conventional career paths involving roles where little is familiar to them and approach such situations with a calm and open mind (Conger, 2018).

Intercultural sensitivity refers to one’s ability to pick up on situation-specific cues through non-verbal signals, and situational and cultural contexts, to meaningfully connect with people from cultures different from our own (Egon Zehnder, 2017). This stems from authentic intrinsic motivation to learn about and be aware of differences that matter, and to adapt to them. As a result of this sensitivity and adaptability, leaders win the trust of their followers, who are then more willing to identify with them in exchange (Mercer, 2013). When a global executive moves to a new location, she initially lacks expertise and control over the situation. Understanding other people’s points of view through questions that probe how they think can enable the executive to persuade her team to follow common goals and strategies to achieve mission-critical objectives (McCall, 1988).

A big part of thriving in the company of other cultures involves being comfortable with ambiguity. Even seasoned global executives will at some point find themselves in unfamiliar straits and being able to make high-quality decisions based on new and imperfect information is a skill cultivated by formidable leaders (Egon Zehnder, 2017).
Navigating ambiguity requires an enduring sense of adventure that allows leaders to make calculated risks within the confines of unfamiliar territories and cultures (Mercer, 2013). We must acknowledge, however, that being understanding of others’ perspectives and being able to confidently navigate ambiguity requires a high degree of self-awareness for clarity of thought and action. Indeed, we see in Exhibit 1 that companies that are high performing (with respect to stock performance) often are more likely to employ highly self-aware people (Korn Ferry, 2015).

Given that professional and personal etiquette are tightly woven into the fabric of individual societies, it is important to understand what to expect from the cultures of the people you are working with. This is not only important in cases where a leader is working in a different country, but also those were a leader is managing people from a variety of cultural backgrounds in their home country, or where a leader is managing teams across borders. Moreover, it is no longer enough to understand how your follower’s culture perceives yours. Instead, a leader must understand the dynamics between the various cultures of her followers too (Harvard Business Review, 2015).

For instance, in egalitarian cultures such as Denmark and Australia, it is okay to openly and publicly disagree with the boss, contact people several levels above or below you in the hierarchy, or not match hierarchical levels both internally and with clients. On the other hand, in hierarchical cultures like China and Indonesia, approval is sought from bosses, people correspond horizontally across the hierarchy, and there are strict rules for things such as seating and the order of presentations (Harvard Business Review, 2015; Harvard Business Review, 2017). For reference, Exhibit 2 shows 19 countries plotted against attitudes towards authority and attitudes towards decision-making, based on
interviews conducted between 2003 and 2016. Over time, the goal is for a leader is to capitalize on the assets of each culture brought by employees in order to achieve outsized successes.
Exhibit 1: Chance of a high or low self-awareness person working for a high-performing company (measured by stock performance).

Source: Korn Ferry, 2015
Exhibit 2: 19 countries plotted against attitudes towards authority (x-axis) and attitudes towards decision-making (y-axis), based on interviews conducted between 2003 and 2016.

Source: Harvard Business Review, 2017
Hofstede (1980)’s seminal research explores such differences well, with his original research covering four major disparities across cultures: the power distance between those with authority and those without, the degree of uncertainty avoidance, the degree of individualism versus collectivism, and the degree of masculinity versus femininity:

- **Power distance**: the extent to which those with less power accept that power is unequally distributed, and the degree to which leadership is automatically accepted (Exhibit 3).

- **Uncertainty avoidance**: people’s tolerance for ambiguity. This has more to do with distrust when faced with uncertainty than with risk avoidance (Exhibit 4).

- **Individualism-collectivism**: the degree to which individual choices and decisions are made by members of society, versus knowing your place in society and prioritizing contributing to it as a whole. It should be noted that this does not mean egoism versus closeness in this case (Exhibit 5).

- **Masculinity-femininity**: the extent to which use of force is acceptable in the society. This stems from the idea that men are supposed to be tough. By comparison, feminine societies are emotionally closer and competition is less openly endorsed. Masculine societies may tend to be more overtly gendered (Exhibit 6).
Let’s take the example of an executive who is going abroad as an expatriate:

**Home country: United States (Hofstede, 2020)**

- Power-distance: 40
- Individualism-collectivism: 91
- Masculinity-femininity: 62
- Uncertainty-avoidance: 46

**Expat assignment: Malaysia**

- Power-distance: 104
- Individualism-collectivism: 26
- Masculinity-femininity: 50
- Uncertainty-avoidance: 36

To thrive, the executive who is used to American culture and the American way of working must adapt to the Malaysian way of life. By applying the knowledge outlined in previous sections, we can infer that the executive may want to:

- Be more directive and authoritative than the executive otherwise would be in the States since that is what is expected of leaders in Malaysia. While input can be sought, instructions must be clearly communicated by the leaders so that followers can execute them. Additionally, local colleagues may need coaxing initially for them to feel comfortable sharing thoughts and ideas, and even then, the executive risks only being told what locals think she wants to hear. It is important to be mindful of this, considering the power-distance difference

- More proactively build consensus amongst followers for the leader’s cause and rally a support base towards an idea to counter the fact that Malaysia is a more
collectivistic society. Employees can also be motivated by focusing on company culture and prioritizing team work to build harmony

- Be gentler and more respectful in dealing with locals and make efforts to be a team-player and learn the local language and culture. Given the greater skew of Malaysian culture towards femininity, this should go a long way.

- Uncertainty avoidance scores are similar, albeit a little higher in Malaysia. This means the executive may have an easier time dealing with this during her transition. However, the executive should also be mindful of the fact that having a new team leader who is less familiar with local culture may be challenging for the followers too and should therefore try to soothe any concerns before they become prominent.
Exhibit 3: power distance world map


Exhibit 4: uncertainty avoidance world map

Exhibit 5: individualism-collectivism world map


Exhibit 6: masculinity-femininity world map

Nevertheless, despite all attempts, an executive is still likely to experience some culture shock, regardless of whether their assignment abroad is in a more developed country or a less developed one. Yet, they must persevere in order to learn unique lessons that they otherwise would not. According to McCall and Hollenbeck (2002), a majority of lessons learn by executives are in global work, and some 95% of lessons of culture are learned outside of domestic settings. Their data supports this. Of all lessons learned, 24% were from domestic experience, 22% were from international experience, and 54% were from expatriate experience. When looking at cultural lessons specifically, only 5% were learned from domestic experience, 19% were learned from international experience, and the remaining 76% were picked up through expatriate experience. The distinction made here between international and expatriate experience is that the former refers to working in one’s home country but with teams across borders, while the latter is about working in international locations.

**Here is how cultural learning takes place (McCall & Hollenbeck, 2002):**

1) There is a disparity between what the executive experiences in the new country, and the executive’s prior set of experiences and her expectations prior to beginning the assignment

2) The executive experience surprise as a result of the disparity, and such an emotion is being felt for the first time (or at least has not been felt often)

3) The experience the executive undergoes is not necessarily a business situation but rather a cultural conflict

4) The executive is well aware of being an outsider
The abovementioned surprise can be experienced as a result of one or more of these (McCall & Hollenbeck, 2002):

- The executive has made inaccurate assumptions about the values of the host culture and what motivates people therein, their willingness to be candid, and their lifestyles. As a result, something did not go as expected and the executive was left surprised.

- The executive’s behavior has not matched what is expected in the host culture and may have been just the opposite. For instance, the executive may have been too aggressive or too passive, too autocratic or too consensus-oriented.

Overall, successful adaptation to the host culture is achieved by “letting go” and then “taking on”. First, let go of cultural uncertainty, unquestioned basic assumptions, personal frames of reference, the unexamined life, accustomed roles and status, knowledge of social reinforcement, accustomed habits and activities, and known routines. Then, take on positive changes in self, changed attitudes, improved work skills, increased knowledge, and closer family relationships (McCall & Hollenbeck, 2002). In the end, it is about viewing the world, and not just your home country, as your arena for creating value.

Before wrapping up this section, it is crucial to shed light on the fact that research has shown that experts may tend to stabilize learning, and even stop learning, after a decade. After this point, they only learn when they experience something novel and decide to learn (Ericsson, 2005). This means that most people may experience something critical and not realize that they must learn from it. This is detrimental, since in new
cultures, the lessons of prior experiences may not be reliable. As Winston Churchill once put it: “men occasionally stumble over the truth, but most of them pick themselves up and hurry off as if nothing had happened.” Therefore, it is important to emphasize that a successful executive must be very willing to learn and adapt with an open mind.

Below, two senior executives from S&P Global share their stories on how they adapted to their host cultures while working abroad earlier in their careers, as well as what they learnt from their experiences, and how those lessons helped them be successful in their careers and outperform their peers:
When I went to Argentina and my Spanish was already very good, I wanted to get my Spanish up to speed so I could speak Argentine Spanish. I did that by taking Spanish classes to learn local vernacular. The locals appreciated that. Just speaking Spanish was a value proposition, but I learnt the local vernacular – the local language. People appreciated it so much that I appreciated the local language. When I went to Japan, I started trying to learn Japanese, but I did not have time to learn Japanese at my level of where I was in the company since I was CEO. It was not going to be possible the way I was spending my time.

I still told myself I had to learn the basics of introducing myself, good morning, good afternoon, going to a restaurant, so that I at least learn enough that people see that I am respectful of their language and their culture. I explored their culture: I went to sumo wrestling contests, Mount Fuji, temples, peoples’ houses, and explored their cuisine. Demonstrating my interest in the culture which went beyond the language, and into the food and culture and religion and sport and pastimes - people respected that. It also made it easier for me to understand what people were doing on their weekends and understand their discussion of their weekends in colloquial languages and understand what their backgrounds were.

-Douglas Peterson (Chief Executive Officer, S&P Global)
The high level one is being open minded. One of the things I have previously talked about is being inquisitive and a lifelong learner. Being inquisitive in this context is a similar trait. If you go into any situation or a cultural or working environment that is different with the mindset that “I can learn from this,” I guarantee that you will learn from it. It will be very exciting and fulfilling to figure out what you can learn from that.

Another thing I have learnt is to respect other approaches, cultures, and ways of thinking. Even if sometimes we perhaps categorically disagree with them. It’s kind of like free speech on college campuses. Listening to somebody else's point of view that’s different from your own and trying to take something away from it can be an important lesson. When you’re working internationally that is an important part of life. When you do all of that, what you find is an appreciation for the cultural impact or framework that different people may work in. You don’t want to stereotype people, because you may have someone from the country that doesn’t fit a stereotype at all.

Also, having the knowledge and being sensitive to what may be at play culturally. That’s the kind of thing you learn the hard way. I guess a couple of examples are: in my prior life on Wall Street, I had a global client base and I was connecting with investors around the world. They kind of had to trust me, because at the end I was providing investment advice. Building that trust is complicated. It’s multi-layered. Having that cultural awareness helps you better build that trust.
As an example, what I learnt when working in Europe is that when speaking to an audience or giving a presentation, in Germany or Holland, what worked well as an American was to be self-deprecating or making fun of myself being an American. Sometimes I would start a speech off by giving a line from that famous speech of JFK’s from Berlin. That would make them think that I understand them. That didn’t work in Italy. So you need to know what works with what audience. It’s all culturally different. Same thing with meetings. When you attend meetings in Switzerland, you better be exactly on time. One time I was 2 minutes late, and the first thing the person said to me was “you’re 2 minutes late.” In Spain or Italy, even if you’re 15 minutes late, you’re still early. There’s a huge gap in expectations.

When working in teams, understanding the nuances of languages is important too. I lived in London for 10 years and ran a global team. Even English on English, it’s very different. We may have the same words, but the words may have different meanings. In British English “oh that’s interesting” means that it’s a bad idea, whereas in the U.S. you’ll think of it as something positive. But no one tells you that, you learn that later.

-Charles Mounts (Chief Index Officer, S&P Global)
Trait two: successful cross-cultural leaders are life-long learners and possess a strong growth mindset.

Growth mindset is based on the belief that an individual’s qualities can be cultivated through persistent effort. It creates a desire to learn and therefore the tendency to embrace challenges, persist in the face of setbacks, see effort as the path to mastery, learn from criticism, and find lessons and inspiration in the success of others (Dweck, 2007). Intrinsic curiosity and motivation to learn is a key trait of successful cross-cultural leaders and is demonstrated not only through intellectual horsepower but also through learning agility in internalizing new knowledge. In order to truly do so, an executive must also be humble, since being aware of one’s deficiencies and being willing and able to ask the right questions is key to successful learning (Egon Zehnder, 2017).

Being able to identify new ideas and internalize them so that they can be translated across a variety of environments can also be termed catalytic learning. In other words, learning with the purpose to transform new knowledge into action by understanding and proactively shaping the changing environment in order to transform the status quo (Conger, 2018). To do so effectively, leaders must be adept at sensing the situation and must embody entrepreneurial spirit. This enables them to spot opportunities, take calculated risks, be creative, and articulate a compelling vision (Mercer, 2013).
When asked about his approach to successfully tackling international assignments and his implementation of a growth mindset, Douglas Peterson had the following to say:

First, in my own career, by going overseas early starting when I was in college sophomore year, and then on my very first job out of business school going to Latin America with Citibank. You have all this ambiguity, and you have to go with this situation. That sort of ambiguity was useful for me. Dealing with ambiguity is something I learn a lot from. When it comes to cross-cultural aspects it is going into something with the view that you are going to learn and that you are going to pick up as much as you can from your experience so that you can expand your horizons. You will have more appreciation for the perspectives and experiences of the other culture.

-Douglas Peterson (CEO, S&P Global)

In his book What It Takes: Lessons in the Pursuit of Excellence, Stephen Schwarzman – the founder of The Blackstone Group, a global private equity firm – narrates an incident that occurred in Japan back when he was first building his company. Unfamiliar with Japanese business customs, he had to learn the culture on the go, as well as pick up on subtle hints that gave away what his potential investors were truly after. However, he also encountered an incident that required him to apply his limited knowledge of the culture and quickly pivot in order to still be able to grow his business (Schwarzman, 2019).
After Schwarzman pitched his investment strategy to Nikko, the bank asked him for time for the executive committee to come to a decision, as well as that he not go to see Nomura, their main competitor and the largest Japanese brokerage, prior to hearing back from them. Schwarzman and his team agreed. (Schwarzman, 2019). After the meeting, they both fell asleep in the car, still suffering from jetlag. When they awoke, they found that their local representative had brought them outside Nomura, since it was on their schedule. This put them in a difficult spot since, on one hand, they had promised Nikko that they would not meet with their competitor, but on the other, Nomura was the most important broker in the country and they had a meeting with the bank’s executive vice president for international business.”

This left them with three options. First, they could cancel, which would result in terrible optics in a country where even brief tardiness is not an option. Second, they could have a non-meeting more akin to a courtesy call and hope that Nikko would not hear about it. Lastly, they could make the presentation as originally planned. Not liking any of the above options, Schwarzman decided to be upfront and honest, and called their contact at Nikko to get his advice. They did not know the local customers yet and did not want to offend them. Taken from the book, that conversation went as follows (Schwarzman, 2019):
We explained that by accident, we were parked outside Nomura. We could hear that sound Japanese people often make when they don’t like something, sucking air in between his teeth.

“You’re at Nomura now?”

“It’s a mistake,” I said. “We’re sorry. We haven’t gone in, and we’re asking your advice. What should we do? Should we just cancel the appointment? Have a nonmeeting meeting? We don’t want to do anything that will offend you.”

“Okay,” Kanzaki said. “Nikko is very interested. How much money do you want for your fund?”

Pete covered up the phone and whispered. “Fifty?”

“A hundred,” I whispered. “It’s what we got from Prudential.”

“We’re looking for $100 million,” said Pete.

“Okay, no problem. $100 million. We have a deal. Now you can go to Nomura and have a nonmeeting.”

Therefore, we see that by being upfront, being agile and keeping an open mind, and understanding what the local culture valued, Schwarzman and his team were able to not only get themselves out of a trick cross-cultural situation, but also achieve international success.
Exhibit 7: The number of promotions managers are likely to receive over the course of 10 years, broken down by learning agility.

Source: Korn Ferry, 2015.
Trait three: successful cross-cultural leaders develop skill sets that add value.

Expatriates tend to be more expensive than locals since they are stationed outside of their home countries. For example, a survey of nearly 1,300 locals and expats from 200 organizations across the aid, education, government and business sectors in India, China, Malawi, Uganda, Solomon Islands, and Papua New Guinea revealed that expats made between 400 percent to 900 percent more than local workers. Therefore, in order for companies to justify the added cost, expats must offer a significant value-add.

The experiences of expats force them to learn about these new perspectives and skills, as well as teach them about the lessons of culture. While certain skill sets required – such as establishing credibility, building teams, and managing superiors – remain important irrespective of where you are in the world, context-specific capabilities stemming from lessons of culture and experience tend to differentiate global executives in local settings. These can be company-specific, industry-specific, or culture-specific skills (Harvard Business School, 2002). This is supported by an extensive project on global executives belonging to 50 multinational companies, where the researchers concluded that effective leaders are made up of two-thirds universal capabilities that apply across all situations, and one-third unique attributes (Black, Morrison & Gregersen,
Therefore, leaders must know how to customize their style to adapt to the situation,

New skills must also be learnt because, while social norms may differ across cultures, the employers and colleagues universally value an effective work ethic and skills. No culture values a free-rider, or someone who consistently produces lackluster output and loses the company money (Korn Ferry, 2017).

Moreover, leaders are more likely to create new businesses and products and to be promoted when they have international experience. In an experiment involving 220 MBA students from the Kellogg School at Northwestern University who were asked to solve the Duncker candle problem, the experimenters found that the students were more likely to find the right creative solution to the problem the longer they had been abroad, and that time spent simply travelling abroad had no impact on creativity. 60 percent of students who had lived abroad correctly solved the problem, against a figure of 42 percent who had not lived abroad (Harvard Business Review, 2010).

Asked about what skillsets they have learned over time that have served them well, two of our executives had the following to say:

_I am not sure if this is a skill, but it is something that goes back to college and maybe before that, but it is learning how to learn and learning how important it is to always be learning. I am inclined to say the most important skill is listening, but they are quite similar. Listening is a really important skill, but I would say the reason you need to listen is because you need to learn._

-Douglas Peterson (CEO, S&P Global)
It’s probably to be honest with yourself about what you’re good at and what you’re not good at, and to seek input from your colleagues on how you can improve. Sometimes your boss, sometimes your peers, and sometimes your juniors. It’s sometimes hard to do, but always bears fruit.

You also have to seek it from people you trust and respect, and not just anyone.

This does two things. One is, you learn a lot. If you are open minded enough to take in the input without being defensive and judge it, that is a very powerful avenue for you to do things. The other thing it does is create a pathway for vulnerability. People think they have a bond with you and that takes the relationship to a new level. Many times, they even come to you asking you to do the same for them, and then this turns into a partnership.

-Charles Mounts (Chief Index Officer, S&P Global)
Trait four: successful cross-cultural leaders are highly resilient and are able to quickly recover from setbacks.

When working with global teams, leaders may often be faced with ambiguity from unexpected sources and must learn to be resilient to conquer both good and bad situations and learn from them. Anger, defensiveness, hostility, and rigidity are the traditional hallmarks of an executive’s inability to recover from difficult situations (Harvard Business School, 2002). Instead, global leaders must be bold and ambitious enough to take calculated risks while placing themselves in opaque situations. They must be willing to make mistakes, learn from them, and quickly course correct as they direct themselves towards their goals (Egon Zehnder, 2017).

Setbacks in foreign assignments can come in any form. They can be due to host country-specific situations, organizational failures, of failure on the part of the leader. In his book *The Ride of a Lifetime: Lessons Learned from 15 Years as CEO of the Walt Disney Company*, Robert Iger discusses the challenges he faced in building Disneyland Shanghai which, at a cost of $6 billion, was one of the biggest investments the company had ever made. The scale was enormous, and at 963 acres, it was about 11 times the size of the original Disneyland park in Anaheim. At various stages, 14,000 construction workers built the park, and casting calls were held in six cities in China to discover employees who would entertain guests. Over the 18 years it took to construct the park, Robert Iger met with three Chinese presidents, five Shanghainese mayors, and a multitude of party secretaries. In fact, one of the secretaries was arrested for corruption and banished to Northern China while Disney was amidst negotiations with the government. This set the project back almost two years (Iger, 2019).
In the example above, it can be inferred that part of the reason Iger succeeded in seeing through the Disneyland Shanghai project and other ambitious ventures as Chief Executive of the company was his resilience and strategic thinking ability. The ideas of risk-taking, resilience, and optimism are those also shared by some of the executives interviewed for this thesis:

_I was lucky to always have great people around me, but I think two things have helped me most. First, my sense of optimism. We live in the middle east, and everyday is a new crisis, so you must have the optimism that this too shall pass. Optimism is a positive form of resilience for me. However, it must be realistic optimism and not naive optimism. Second, having a strategic mindset. Up to a junior manager level, what is required of you is execution. For example, I had a boss early in life and I would tell him that I was thinking something. He would tell me: “Ahmed, you’re thinking too much. I need you to get the job done.” As you move up, however, you need to move from execution to having a strategic mindset. The best leaders are those who can marry execution with strategy. Luckily, I have always been paired with those who are better than me in execution._

-Ahmed Al-Sager (Founder, Al-Yasra; Board, Kuwait Investment Authority)
One of the primary facilitators of being successful and putting yourself out there to try new things is having the resilience and bravery to try something different that you are not familiar with and being open to what you might find. We all have preconceived ideas. Sometimes you’re conscious of them and sometimes you are not. But really making a purposeful effort to leave your biases and preconceived ideas to the side is a really important attribute. That requires resilience so when something surprises you, you can reflect upon it and how to think about it.

-Charles Mounts (Chief Index Officer, S&P Global)

I wouldn’t say there’s one experience but rather a set of experiences. It seems like being able to adapt and meet the demand of the time is crucial. For example, when I was in your shoes trying to figure out whether to go into consulting or investment banking, Sept 11 hit and if you were an international student you were sort of asked to rescind your application because of all the issues around immigration, terrorism, and which country you came from. I attribute it to my liberal arts education to be able to operationalize in which context to operate, which country to live in, which companies to do business with, or the investment process. You have to take risks, fail, and build back up fast and take the next step. That has happened to me so many times.

-Akshata Murty (Director, Catamaran Ventures)
Chapter 4:

Exploring Relationships Between Cross-Cultural Leaders and Well-Run Organizations
Given the demand for cross-cultural experience and global mindsets from both employers and employees, as well as the increasingly urgent need for such skills and experiences, I determined that the next step should be to use data to explore whether there is a correlation between cross-cultural leaders and well-run organizations, and in so doing test out whether cross-cultural leaders are truly more effective in today’s increasingly integrated world.

**Methods**

To do the above, 120 CEOs of large public corporations were profiled and tested against 19 factors. Six of these factors were sourced from a 2019 study on the best run American companies conducted by the Drucker Institute, Claremont Graduate University. The remaining 13 factors were manually extracted from the internet, with any information appearing from features on credible websites including. Sources include interviews, LinkedIn profiles, and third-party biographies.

**Factors in the Drucker Institute’s study that contributed to a company’s ranking:**

1. Customer satisfaction
   - “To satisfy the customer is the mission and purpose of every business.”

2. Employee engagement and development
   - “The enterprise must be able to give [its employees] a vision and a sense of mission. It must be able to satisfy their desire for a meaningful contribution to their community and society.”
3. Innovation
   
   o “Every institution…must build into its day-to-day management four—entrepreneurial activities that run in parallel:
     - organized abandonment of products, services, processes,
       markets…that are no longer an optimal allocation of resources;
     - systematic, continuing improvement;
     - systematic and continuous exploitation…of its successes;
     - systematic innovation, that is, create the different tomorrow that makes obsolete and, to a large extent, replaces even the most successful products of today.”

4. Social responsibility
   
   • “It is management’s…responsibility to make whatever is genuinely in the public good become the enterprise’s own self-interest.”

5. Financial strength
   
   • “Productivity is the first test of management’s competence…. The continuous improvement of productivity [with respect to land, labor and capital] is one of management’s most important jobs…. The goal is not to try to find the one perfect productivity measurement, but to use a number of measurements.” (“By measuring the value added over all costs, including the cost of capital, EVA measures, in effect, the productivity of all factors of production.”)
6. Effectiveness

- This is a composite of the first five factors.

The first five factor explanations above are quotes by Peter F. Drucker (Drucker Institute at Claremont Graduate University, 2019).

The first five factors above are meant to represent the dimensions of corporate performance and how well a company follows the core principles advanced by Dr. Peter Drucker. The 640 companies in the list are U.S. companies that trade on the New York Stock Exchange or Nasdaq. They must also have two of the valid indicators for each of the five dimensions of company effectiveness. The 34 indicators that go into the first five factors above are outlined in the Appendix 3. Meanwhile, the top 250 companies are those whose shares were part of the S&P500 index as of June 30, 2019, whose market capitalizations were $10 billion or greater as of June 30, 2019, and whose revenues were $3 billion or greater as of March 31, 2019. All data was the most recent available as of June 30, 2019. All scores are T-scores typically between 0 and 100, with a mean of 50 and standard deviation of 10. (Drucker Institute at Claremont Graduate University, 2019).

The last factor, effectiveness, is based on the assumption that the first five factors are interrelated and therefore influence each other over the course of time. All of the 34 indicators that made up the five dimensions were considered to be equally important. However, the factors were weighted as follows, based on the degree to which each was found to contribute to overall company effectiveness (Drucker Institute at Claremont Graduate University, 2019):
- Customer satisfaction (5 indicators): 15%
- Employee engagement and development (7 indicators): 20%
- Innovation (11 indicators): 22%
- Social responsibility (7 indicators): 22%
- Financial strength (4 indicators): 21%

Next, the following information was manually sourced outside of the Drucker Institute, and is all publicly available information on the internet:

**Company factors:**

1. GICS Sector (Global Industry Classification Standard)
   - Energy
   - Materials
   - Industrials
   - Consumer Discretionary
   - Consumer Staples
   - Healthcare
   - Financials
   - Information Technology
   - Communications Services
   - Utilities
   - Real Estate

2. 2019 stock performance percentage
   - Price as of January 1, 2019 (opening price)
   - Price as of January 1, 2020 (closing price)
GICS sectors were developed by S&P Global and MSCI to enhance the investment research and asset management processes for finance professionals. There are 11 sectors in total, encompassing 24 industry groups, 69 industries, and 158 sub-industries. The use of GICS sectors is appropriate for the categorization of company data in this study due to its widely accepted nature, and the fact that it is universal and applies to companies globally. Moreover, it is reliable given that it reflects the current state of industries in the field of equity investments, and it is regularly updated to ensure that the structure accurately represents global markets (S&P Global, 2018).

**Current CEO factors:**

1. 2019 CEO name
2. Sex
3. Whether the CEO is cross-cultural
4. Associated countries
5. Age in 2019
6. Length of CEO tenure as of 2019
7. Age at which they became CEO
8. Whether they were internal or external hires

**Predecessor CEO factors:**

1. Predecessor CEO name
2. Whether the predecessor CEO was cross-cultural
3. Predecessor CEO tenure
Within CEO factors and predecessor CEO factors, Chief Executive Officers were deemed cross-cultural if any of the following five traits apply to them:

1. They are immigrants into their current countries
2. Their parents were immigrants into their current countries
3. They lived in multiple locations during their childhood, where childhood lasts for a maximum of five years after they graduate high school (the time required to complete an undergraduate degree). This movement can be due to factors such as their parents having been expatriates, or the executive having completed a degree abroad (study abroad programs do not qualify for this)
4. They have worked abroad at some point over their careers
5. They ran the international division of their company

Out of the 640 companies that appear in the Drucker Institute’s results, 120 were selected for the first stage of further data collection. Of these, 100 were picked through stratified sampling (25 randomly selected from each quartile), and the remaining 20 were made up of the top 10 and bottom 10 companies in the list of 640. Data collected for all 120 companies were on company sector, CEO name, CEO sex, and whether the CEO was cross-cultural. For stage two of data collection, 40 of the 120 companies were selected at random to collect data on 2019 company stock performance, CEO age in 2019, CEO tenure, the age at which CEOs took over their role, whether the CEO was an internal or external hire, predecessor CEO’s name, predecessor CEO’s tenure, and whether the predecessor CEO was cross-cultural. While selecting the 40 companies for stage two, it was ensured that there were 10 selected from each quartile of the original 640, with each
of the 10 in turn being made up of equal parts cross-cultural and non-cross-cultural CEOs.

**Results**

Out of the 120 companies selected for this experiment, it was found that 47.50% had cross-cultural leaders whereas 52.50% did not. Despite the relatively even split, what is noteworthy in the data is that as we go down the rankings, the proportion of cross-cultural leaders decreases as well. In the most successful, highly-ranked companies (first quartile), 62.86% of leaders are cross-cultural. The second quartile also lies far above average, with 56.00% of leaders being cross-cultural. Beginning with the third quartile, we see below-average proportions of cross-cultural leaders. The third quartile had 36.00% cross-cultural leadership, whereas the fourth quartile bottoms out at 34.29%.

Exhibit 1 tabulates a breakdown of the figures, while Exhibit 2 represents them in illustrative form. In the exhibits in the entirety of this chapter, Q1 represents the first quartile (companies ranked 1-160 out of the original list of 640), Q2 represents the second quartile (companies ranked 161-320 out of the original list of 640), Q3 represents the third quartile (companies ranked 321-480 out of the original list of 640), and Q4 represents the fourth quartile (companies ranked 481-640 out of the original list of 640).
### Cross Cultural

<table>
<thead>
<tr>
<th></th>
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<tr>
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<tr>
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<tr>
<td>Q4</td>
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<td>63</td>
<td>120</td>
<td>47.50%</td>
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</tr>
</tbody>
</table>

*Exhibit 1: a breakdown of companies by cross-cultural leader status and quartiles.*

Exhibit 2: a graphical illustration of Exhibit 1, meant to visually represent the steady and abrupt decrease in cross-cultural leadership for companies lower in rankings. “No” represents the percentage of non-cross-cultural leaders, whereas “Yes” represents the percentage of cross-cultural leaders.
To understand which industries cross-cultural leaders influence most heavily, I analyzed the data collected on cross-cultural statistics against the 11 GICS sectors. The figures revealed that sectors housing industries and therefore companies that require a higher level of customization to serve the unique sets of individuals residing in different regions around the world tend to more often be led by cross-cultural CEOs. The top three sectors are technology, consumer staples, and consumer discretionary, at 78.57%, 66.67%, and 50.00% respectively. Meanwhile, materials, real estate, and utilities are at the bottom of the list, not featuring any cross-cultural CEOs. Exhibits 3, 4, and 5 breakdown and illustrate this data.
### DEVELOPING CULTURALLY VERSATILE LEADERSHIP

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<th>Non cross-cultural</th>
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<th>% Cross-cultural</th>
<th>% Non cross-cultural</th>
<th>% Total</th>
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<td>100.00%</td>
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<tr>
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<td>2</td>
<td>4</td>
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<td>50.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Communications</td>
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<td>9</td>
<td>17</td>
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<td>52.94%</td>
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<td>12</td>
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<td>Healthcare</td>
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<td>37.50%</td>
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<td><strong>Total</strong></td>
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<td><strong>63</strong></td>
<td><strong>120</strong></td>
<td><strong>47.50%</strong></td>
<td><strong>52.50%</strong></td>
<td><strong>100.00%</strong></td>
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</table>

*Exhibit 3: a breakdown of the 11 GICS sectors by cross-cultural leader status*
Exhibit 4: the proportion of cross-cultural to non-cross cultural leaders across the eleven GICS sectors
Exhibit 5: the distribution of cross-cultural leaders across the eleven GICS sectors
The data reveals that most companies marginally prefer to hire their CEO internally (55%) versus externally (45%). Additionally, in the case of external hires, they are 57% more likely to hire cross-cultural CEOs as opposed to non-cross-cultural ones. However, in the case of internal promotes, it appears as though non-cross-cultural leaders hold a greater number of positions (59.09% vs. 40.01%). Exhibits 6 and 7 represent this data.

Next, to identify further hiring patterns, I look at how they’re divided across company rankings and GICS quartiles. Exhibits 8 and 9 illustrate that the highest ranked (top quartile) companies tend to groom talent internally (80%) rather than externally (20%). This number diminishes further down the rankings, and fourth-quartile companies tend to hire CEOs from external sources 60% of the time, with only 40% being groomed internally.

Given that we have established that a larger fraction of cross-cultural CEOs tends to be external hires, Exhibits 10 and 11, illustrate that the top five GICS sectors hiring external CEOs are industrials (75%), consumer staples (60%), consumer discretionary (50%), technology (50%), and financials (50%). This makes sense given the higher need for individualization in these sectors of company product and service offerings across geographies.

Lastly, Exhibits 12 and 13 synthesize the information contained within Exhibits 6 and 8 to reveal that industrials, consumer discretionary, consumer staples, communication services, and technology are, in fact, five of the eleven sectors that proportionally hire the majority cross-cultural leaders. Moreover, Exhibits 14 and 15
reveal that the top performing sectors over the four quartiles are technology, consumer discretionary, and communication services.

Therefore, there appears to be a link between cross-cultural leaders and highly ranking organizations. Next, I explore this further by directly looking at the relationships between whether or not a CEO is cross-cultural and the following six factors: customer satisfaction, employee engagement and development, innovation, social responsibility, financial strength, and overall effectiveness.
<table>
<thead>
<tr>
<th></th>
<th>Cross-cultural</th>
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Exhibit 6: the division of cross-cultural and non-cross-cultural leaders across internal and external hires

Exhibit 7: percentages of cross-cultural and non-cross-cultural leaders plotted against whether they were internal or external hires
<table>
<thead>
<tr>
<th></th>
<th>Internal</th>
<th>External</th>
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<th>% Internal</th>
<th>% External</th>
<th>% Total</th>
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</thead>
<tbody>
<tr>
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<td>Q2</td>
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<tr>
<td>Total</td>
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Exhibit 8: the division of external CEO hires and internal CEO promotes by company quartiles

Exhibit 9: percentages of internal and external hires plotted against company quartiles
<table>
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<tr>
<th>Sector</th>
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<tr>
<td>Consumer Staples</td>
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<tr>
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<td>6</td>
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<tr>
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*Exhibit 10: the division of external CEO hires and internal CEO promotes by GICS sector*
Exhibit 11: percentages of internal and external hires plotted against GICS sectors
### Exhibit 12: The division of external CEO hires and internal CEO promotes by whether they are cross-cultural or non-cross-cultural, and by GICS sector

<table>
<thead>
<tr>
<th>Sector</th>
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<th>Non cross-cultural</th>
<th>Sector Total</th>
<th>Cross-cultural</th>
<th>Non cross-cultural</th>
<th>% Total</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td>Internal</td>
<td>External</td>
<td>Total</td>
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<td>4</td>
<td>6</td>
<td>3</td>
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<td>4</td>
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<tr>
<td>Industrials</td>
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<td>1</td>
<td>3</td>
<td>4</td>
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<td>Technology</td>
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<td>1</td>
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<td>2</td>
<td>0</td>
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<td>1</td>
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<tr>
<td>Financials</td>
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<td>1</td>
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<td>Healthcare</td>
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<td>0</td>
<td>1</td>
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<td>3</td>
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<tr>
<td>Energy</td>
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<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>Real Estate</td>
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<td>Total</td>
<td>9</td>
<td>11</td>
<td>20</td>
<td>13</td>
<td>7</td>
<td>20</td>
</tr>
</tbody>
</table>
Exhibit 13: percentages of cross-cultural and non-cross-cultural internal and external hires plotted against GICS sectors
### Exhibit 14: The Breakdown of Each Quartile by the Sectors Contained Within

<table>
<thead>
<tr>
<th></th>
<th>Communications Services</th>
<th>Consumer Discretionary</th>
<th>Consumer Staples</th>
<th>Energy</th>
<th>Financials</th>
<th>Healthcare</th>
<th>Industrials</th>
<th>Materials</th>
<th>Real Estate</th>
<th>Technology</th>
<th>Utilities</th>
<th>Total</th>
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<tbody>
<tr>
<td>Q1</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>35</td>
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<tr>
<td>Q2</td>
<td>1</td>
<td>8</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Q3</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Q4</td>
<td>9</td>
<td>9</td>
<td>3</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>30</td>
<td>12</td>
<td>4</td>
<td>12</td>
<td>8</td>
<td>18</td>
<td>2</td>
<td>2</td>
<td>14</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td>% Q1</td>
<td>17.14%</td>
<td>8.57%</td>
<td>14.29%</td>
<td>0.00%</td>
<td>8.57%</td>
<td>5.71%</td>
<td>17.14%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>28.57%</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>% Q2</td>
<td>4.00%</td>
<td>32.00%</td>
<td>12.00%</td>
<td>8.00%</td>
<td>16.00%</td>
<td>4.00%</td>
<td>12.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>8.00%</td>
<td>4.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>% Q3</td>
<td>4.00%</td>
<td>40.00%</td>
<td>4.00%</td>
<td>8.00%</td>
<td>4.00%</td>
<td>8.00%</td>
<td>16.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>8.00%</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>% Q4</td>
<td>25.71%</td>
<td>25.71%</td>
<td>8.57%</td>
<td>0.00%</td>
<td>11.43%</td>
<td>8.57%</td>
<td>14.29%</td>
<td>2.86%</td>
<td>2.86%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Exhibit 15: a graphical representation of the sectors contained within each quartile.
The statistics reveal that cross-cultural leaders are, in fact, more effective than non-cross-cultural leaders overall. As per Exhibit 16, cross-cultural leaders have a higher maximum rank (1 versus 3), higher minimum rank (639 versus 640), and a higher mean rank (252.56 versus 360.06). Moreover, they rank higher more consistently (smaller standard deviation of 213.25 versus 214.42). They also rank higher even after accounting for outliers (median rank of 232 versus 359).

Exhibit 17 contains data on the minimum, maximum, median, and average scores, along with standard deviation values, for cross-cultural and non-cross-cultural leaders across the six metrics published by the Drucker Institute at Claremont Graduate University:

- Minimum, maximum, median, and mean of overall company effectiveness are all significantly higher for cross-cultural leaders. Breaking each down, we see that the minimum, median, and average of customer satisfaction scores are higher for these leaders, and they are more consistently higher (lower standard deviation). However, the maximum score is higher for non-cross-cultural leaders than for cross-cultural leaders, despite cross-culturals leading across four of the five metrics.

- Minimum, maximum, median, and mean scores for employee engagement and development are marginally higher for cross-cultural leaders. Standard deviation numbers are comparable for both types of leaders.

- Minimum, maximum, median, and mean scores for corporate innovation are significantly higher for cross-cultural leaders.

- Results for social responsibility are varied. The minimum score for cross-cultural leaders is slightly lower. However, comparable maximums scores, and significantly higher mean and median scores.
• Maximum, median and mean scores are higher for cross-cultural leaders, while minimums scores are comparable with those of non-cross-cultural leaders.

The positive results outlined above for cross-cultural leaders leads to significantly more favorable composite company effectiveness scores for cross-cultural leaders across the board. Exhibits 18 through 22 graphically illustrate the data explained in Exhibit 17 that has been explained above.

While looking at the above results, one may infer that perhaps some leaders are more successful than others not necessarily because they are cross-cultural, but because of factors such as them being older or having become CEO at an older age (and therefore having longer career experience), or them having held the position longer (and therefore having had the opportunity to get used to navigating their respective industries and institute processes over time that allow them to better lead their organization). Exhibits 23 through 43 explore correlations between these factors and the six factors from above that influence a company’s ranking. The results show that the 2019 age of the CEO, the tenure of the CEO, and the age at which the CEO gained control of the position did not affect a company’s rankings or any of the factors that influenced those rankings. Only very weak correlations exist. This makes it even more likely that cross-culturalism had a greater impact on company scores.
<table>
<thead>
<tr>
<th></th>
<th>Cross-cultural</th>
<th>Non cross-cultural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Rank</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Minimum Rank</td>
<td>639</td>
<td>640</td>
</tr>
<tr>
<td>Mean Rank</td>
<td>252.56</td>
<td>360.06</td>
</tr>
<tr>
<td>Standard Deviation ((\sigma))</td>
<td>213.25</td>
<td>214.42</td>
</tr>
<tr>
<td>Median Rank</td>
<td>232</td>
<td>359</td>
</tr>
</tbody>
</table>

*Exhibit 16: standard statistical comparisons for cross-cultural and non-cross-cultural leaders*
<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>Employee Engagement &amp; Development</th>
<th>Innovation</th>
<th>Social Responsibility</th>
<th>Financial Strength</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MIN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-cultural</td>
<td>27.90</td>
<td>16.10</td>
<td>43.70</td>
<td>30.20</td>
<td>29.00</td>
</tr>
<tr>
<td>Non cross-cultural</td>
<td>21.90</td>
<td>14.10</td>
<td>42.00</td>
<td>31.60</td>
<td>29.10</td>
</tr>
<tr>
<td><strong>MAX</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-cultural</td>
<td>70.70</td>
<td>75.80</td>
<td>212.30</td>
<td>78.50</td>
<td>91.50</td>
</tr>
<tr>
<td>Non cross-cultural</td>
<td>72.60</td>
<td>73.80</td>
<td>100.10</td>
<td>78.10</td>
<td>90.70</td>
</tr>
<tr>
<td><strong>MEDIAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-cultural</td>
<td>54.50</td>
<td>51.40</td>
<td>52.60</td>
<td>59.60</td>
<td>52.40</td>
</tr>
<tr>
<td>Non cross-cultural</td>
<td>51.60</td>
<td>49.80</td>
<td>49.70</td>
<td>50.80</td>
<td>46.50</td>
</tr>
<tr>
<td><strong>AVERAGES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-cultural</td>
<td>53.97</td>
<td>50.81</td>
<td>59.99</td>
<td>55.35</td>
<td>54.60</td>
</tr>
<tr>
<td>Non cross-cultural</td>
<td>50.47</td>
<td>47.19</td>
<td>52.92</td>
<td>50.35</td>
<td>49.71</td>
</tr>
<tr>
<td><strong>STANDARD DEVIATION (σ)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-cultural</td>
<td>9.04</td>
<td>12.81</td>
<td>24.65</td>
<td>11.89</td>
<td>15.00</td>
</tr>
<tr>
<td>Non cross-cultural</td>
<td>10.41</td>
<td>12.16</td>
<td>11.38</td>
<td>11.13</td>
<td>12.93</td>
</tr>
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</table>

Exhibit 17: tabulated minimum, maximum, median, average, and standard deviation values for cross-cultural and non-cross-cultural leaders, for the six metrics that influence a company’s overall ranking.
Exhibit 18: minimum scores for cross-cultural and non-cross-cultural leaders, for the 6 factors that influence a company’s rankings

Exhibit 19: maximum scores for cross-cultural and non-cross-cultural leaders, for the 6 factors that influence a company’s rankings
Exhibit 20: mean scores for cross-cultural and non-cross-cultural leaders, for the 6 factors that influence a company’s rankings

Exhibit 21: standard deviation of scores for cross-cultural and non-cross-cultural leaders, for the 6 factors that influence a company’s rankings
Exhibit 22: median scores for cross-cultural and non-cross-cultural leaders, for the 6 factors that influence a company’s rankings
Exhibit 23: the correlation between a company’s ranking and the age of its CEO is insignificant

Exhibit 24: the correlation between a company’s ranking and the tenure of its CEO is insignificant
Exhibit 25: the correlation between a company’s ranking and the age of its CEO at the beginning of CEO tenure is insignificant
Exhibit 26: the correlation between a company’s customer satisfaction score and the age of its CEO is insignificant

Exhibit 27: the correlation between a company’s customer satisfaction score and the tenure of its CEO is insignificant
Exhibit 28: the correlation between a company’s customer satisfaction score and the age of its CEO at the beginning of CEO tenure is insignificant.
Exhibit 29: the correlation between a company’s employee engagement and development score and the age of its CEO is insignificant

Exhibit 30: the correlation between a company’s employee engagement and development score and the tenure of its CEO is insignificant
Exhibit 31: the correlation between a company’s employee engagement and development score and the age of its CEO at the beginning of CEO tenure is insignificant
Exhibit 32: the correlation between a company’s innovation score and the age of its CEO is insignificant

Exhibit 33: the correlation between a company’s innovation score and the tenure of its CEO is insignificant
Exhibit 34: the correlation between a company’s innovation score and the age of its CEO at the beginning of CEO tenure is insignificant
Exhibit 35: the correlation between a company’s social responsibility score and the age of its CEO is insignificant.

Exhibit 36: the correlation between a company’s social responsibility score and the tenure of its CEO is insignificant.
Exhibit 37: the correlation between a company’s social responsibility score and the age of its CEO at the beginning of CEO tenure is insignificant
Exhibit 38: the correlation between a company’s financial strength score and the age of its CEO is insignificant

Exhibit 39: the correlation between a company’s financial strength score and the tenure of its CEO is insignificant
Exhibit 40: the correlation between a company’s financial strength score and the age of its CEO at the beginning of CEO tenure is insignificant
Exhibit 41: the correlation between a company’s overall effectiveness score and the age of its CEO is insignificant.

Exhibit 42: the correlation between a company’s overall effectiveness score and the tenure of its CEO is insignificant.
Exhibit 43: the correlation between a company’s overall effectiveness score and the age of its CEO at the beginning of CEO tenure is insignificant
Moreover, the data reveals that the stocks of companies run by cross-cultural CEOs likelier to perform better. In 2019, cross-cultural leaders returned 16.82% whereas non-cross-cultural leaders returned 14.85% on average. In some cases, cross-cultural CEOs generated significantly better returns than their non-cross-cultural counterparts. In first quartile companies, they returned 28.85% (30.25% higher than the non-cross-cultural performance of 22.15%), and in second quartile companies, they returned 10.22% (88.91% higher than the non-cross-cultural performance of 5.41%). Exhibits 44 and 45 provide a detailed breakdown of this information.

Lastly, Exhibit 46 reveals that the current CEO is more likely to be cross-cultural if the predecessor CEO was cross-cultural. Similarly, the current CEO is more likely to be non-cross-cultural if the predecessor CEO was non-cultural. The differences are large: the current CEO is 60.01% more likely to be cross-cultural if the predecessor CEO was so too (61.54% versus 38.46%).
Exhibit 44: The break down for 2019 stock performance for cross-cultural and non-cross-cultural CEOs across the four quartiles

<table>
<thead>
<tr>
<th></th>
<th>Cross-cultural</th>
<th>Non cross-cultural</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>28.85%</td>
<td>22.15%</td>
<td>25.50%</td>
</tr>
<tr>
<td>Q2</td>
<td>10.22%</td>
<td>5.41%</td>
<td>7.82%</td>
</tr>
<tr>
<td>Q3</td>
<td>20.74%</td>
<td>19.16%</td>
<td>19.95%</td>
</tr>
<tr>
<td>Q4</td>
<td>7.47%</td>
<td>12.69%</td>
<td>10.08%</td>
</tr>
<tr>
<td>Average</td>
<td>16.82%</td>
<td>14.85%</td>
<td>15.84%</td>
</tr>
</tbody>
</table>

Exhibit 45: 2019 stock returns for cross-cultural and non-cross-cultural CEOs plotted against company quartiles
<table>
<thead>
<tr>
<th>Current CEO</th>
<th>Predecessor CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cross-cultural</td>
</tr>
<tr>
<td>Cross-cultural</td>
<td>61.54%</td>
</tr>
<tr>
<td>Non-cross-cultural</td>
<td>38.46%</td>
</tr>
</tbody>
</table>

*Exhibit 46: the likelihood of the current CEO being cross-cultural or non-cross-cultural given the predecessor CEO’s cross-cultural status.*
Limitations

While the tests run above reveal interesting insights into how well-run companies are likely to be led by cross-cultural leaders, there are certainly some limitations to the robustness of my findings.

The first of these is the small sample size. Some tests were run on 120 companies while others were run on just 40, whereas the full dataset had 640 companies. All of these numbers are relatively small compared to how many companies, businesses, and professionals there are around the world. This even more the case when we consider making generalizations across cultures and regions around the globe is an arduous task and likely one with no singular result. Therefore, a larger samples size would at least go some ways towards a more reliable study.

Secondly, this study looks at just CEOs. However, the most ideal version of such a study should likely cover executives across all levels, not only to obtain a larger, more generalizable sample size given that only a select few hold the office of CEO, but also to be able to study the differences in trends between executives of varying levels and how their cross-cultural values and experiences drive impact within their respective organizations. However, due to time constraints with this semester-long thesis, and accessibility constraints to dozens of top executives at all of these large corporations, doing so was not possible in the present study.

Therefore, a couple of next steps have the potential to elevate this study to a level where the findings are more reliable, and generalizations are less contestable: one, a future study must use a larger sample size with respect to the number of organizations studied, and two, the study must look at executives across multiple levels – and not just those at the very top – in order for it to be more representative of a company.
Chapter 5:

Developing Global Leadership Talent
“The Jack Welch of the Future cannot be like me. I spent my entire career in the United States. The next head of General Electric will be somebody who spent time in Bombay, in Hong Kong, in Buenos Aires. We have to send our best and brightest overseas and make sure they have training that will allow them to be the global leaders who will make GE flourish in the future,” Jack Welch, former Chief Executive Officer of General Electric, preached to his managers on multiple occasions (Black, Morrison & Gregerson, 1999).

As Percy Barnevick, the CEO of Asea Brown Boveri (a Swedish multinational) put it: “global managers have exceptionally open minds. They respect how different countries do things, and they have the imagination to appreciate why they do them that way. Global mangers are made, not born” (Javidhan & House, 2001). Yet, in Development Dimensions International’s 2015 Global Leadership Forecast survey of 13,124 global leaders across 2,031 organizations in 48 countries, only one-third of the leaders claimed to be effective at leading across different cultures and geographies, while only one in five organizations were reported as emphasizing global leadership development (Development Dimensions International, 2015). This was the lowest skill-effectiveness rating in the survey. Moreover, of the 900 multinational corporations who were represented in the survey, 52% had plans to expand operations in the coming years, but only 16% had enough global leaders ready to take on new positions and challenges.

Part of the challenge is that managers working internationally tend to be stepped in their own culture as a result of it having been their primary experience for a majority of their lives. As a result, it may be a challenge to accept value systems and practices that differ from theirs. For example, an American manager may pride herself on directness and frankness, but these traits are likely to not be valued in many other cultures around the world. This is perhaps what prompted
Alfred Zeien to say that globally literate leaders were the Gillette’s scarcest resource when he served as the company’s CEO (Javidhan & House, 2001).

In fact, when asked about the development of global leaders at organizations he has worked at, Navtej Nandra responded:

*So E*Trade wasn’t global. In fact, in most companies that I worked at it was serendipity. Depending on where HQ was, no matter where you were, if you hadn’t spent some early years at HQ, it was unlikely you would get the pole position. I say this with one exception in my career: Merrill Lynch when Stan O’Neill was CEO. As CEO, Stan put people from overseas who did well into global roles, and this was the only exception I have seen: Dow Kim was Korean, Fakahany was Egyptian, then there was Simerchi.*

-Navtej Nandra (former CEO, Morgan Stanley Investment Management)

In another survey of 400 CEOs, a majority of participants did not feel like they were fully prepared for their roles. In fact, just 38% of external hires and 28% of internal ones felt ready. Moreover 80% of them mentioned the need to more effectively transform themselves to be able to meaningfully impact their organizations (Egon Zehnder, 2018). Further research on global human capital trends indicates that 86% of leaders and human resources executives believe that leadership is a critical issue, with 50% admitting to leadership deficiencies in their organization being a serious issue, and only 6% believing that their leadership pipeline is adequately developed (Deloitte, 2015). Such gaps in organizational capabilities have the potential to be a threat to a company’s success in the long term by placing them in a position of competitive disadvantage. In fact, data proves that individuals learn from global experiences: 71% of expatriates under the age of 35 learn new skills while living abroad (HSBC, 2018).
Moreover, employees value such experiential learning opportunities. A study of global talent trends indicates that only 66% of employees believe their company offers them opportunities to grow personally and professionally, just 57% think that the skills to advance to the next level are clearly defined, and just 57% claim their company provides constant learning opportunities, with training content that is well aligned with skills that will be required further down the line. Moreover, only 1 in 2 claims that lateral movement is prevalent in their organization, and only 47% say that rotational programs are a core part of how people are developed (Mercer, 2018). Mindsets around the value of lateral moves also need to be ameliorated: it is currently ranked 19 of 20 in importance by employees (Mercer, 2020). While this is a promising start, these numbers need to be significantly higher in order to develop successful global leaders and ensure that corporate priorities are clearly communicated to employees. For instance, when asked about what skills are most in demand, human resources professionals put global mindset at number three, while employees thought it was less important, putting it at number 4 (Mercer, 2018). Exhibit 1 shows a snapshot of what skills are perceived as important by companies and their employees, and where global mindsets and perspectives fit into the picture.
Exhibit 1: The most in-demand skills, as ranked by employers and employees.

Bright careers require access to opportunities, and the support and infrastructure to pursue them. To do this, organizations must strive to have more structured programs in place to develop global leaders rather than follow a more laissez-faire approach. As careers become more fluid, the availability of more opportunities and experiences become a measure of corporate commitment to employees. A study into global talent trends revealed significant differences in organizational support between thriving employees and non-thriving employees. For instance, 81% of thriving employees felt that their employer gave them sufficient opportunities to grow personally and professionally, whereas only 19% of non-thriving ones did (Mercer, 2020). Exhibit 2 lays this out for five additional factors.
Exhibit 2: Employee experience versus how they hope to be supported.

The need for structured programs is even more evident with the realization that, despite high costs, a lack of funding is not a barrier in developing global leaders. For instance, Bersin & Associates reported that U.S.-based companies with established development programs tend to spend over $12,400 per person annually on such development. Meanwhile, in the Asia Pacific region, almost one in three companies spend over $5,000 per person annually on training leaders, with only 29% citing insufficient funds (Mercer, 2013). Moreover, companies around the world are highly reliant on expatriates for leadership roles. 60% of surveyed companies in Hong Kong have expatriates in over 30% of their top 10 roles. 35% of Japanese companies and 37% of ASEAN (Association of Southeast Asian Nations) report the same. Only 20% of Asia Pacific-based organizations reported having locals occupy all top leadership positions (Mercer, 2013).

To structure a meaningful development program, the barriers that create critical gaps in global leadership talent must be well understood. Often, companies do not explicitly place high value on global mobility, and therefore employees are unlikely to be aware of the benefits of going abroad or the organizational support they have to do so. This is likely to be heightened in cases where managers hoard their best talent and work hard to retain them. In certain cases, employees may even fear being penalized for taking international assignments: they may have worries about not having a place back home after their international stint and not having connections to senior management closer to where the action is. After all, not too many organizations require international experience as a gateway to senior roles.

Additionally, organizations may lack robust methods to track and assess talent moving across the globe. They may even be evaluating global leaders with a universal competency framework rather than a unique framework, thus failing to recognize the unique capabilities that global talent are required to have, and the learning they incur (Mercer, 2013).
Therefore, an effective global leadership development program must possess four aspects. First, it must create a culture where international experience is valued. Second, it must identify high-potential global leaders early on, and creatively shape their career trajectory, including timely repatriation from abroad to ensure that new knowledge is used. Third, it must feature a new competency model for global executives that covers the unique aspects of navigating a new and foreign environment. Lastly, it must ensure that employee worries are assuaged, so that they are encouraged to try new experiences. This would include appropriate rewards.
Step 1: Create a culture where a global mindset is valued

A global mindset needs to be embedded in the company’s value system, and employees must perceive it as a core part of the company’s DNA. A global mindset is essential for leaders to soak up lessons from developmental programs, and for them to be incentivized to explore new experiences abroad. According to the Arizona State University (2012), a global mindset is defined as a set of attributes that help global leaders influence those who are from a different background than them and is made up of three components: intellectual capital (global savvy and complexity of cognition), psychological capital (passion for diversity and exploration), and social capital (interpersonal impact and intercultural empathy).

Companies who have operated globally for extended periods of time and have incorporated global leader development tend to produce the best global executives (Harvard Business School, 2002). A great example is the oil and gas company Royal Dutch Shell, which makes it clear to interviewees that working abroad is an essential part of their development process if they hope to reach the highest levels of the company (Egon Zehnder, 2017). In fact, 95% of Shell senior executives have had experience outside their home country (Harvard Business School, 2002).

Schlumberger, a $33 billion global oilfield services company with over 100,000 employees develops its leaders by remaining committed to borderless careers across its various geographies, functions, and business lines selling products and services across over 120 countries (Gallup, 2019). As employees rotate through various roles over the course of their careers, they develop expertise and leadership skills through training and experience. For some positions, employees are often transferred to a new role every two to three years, and all employees are
provided with the necessary training to be successful in their roles and positions before being sent off to the next stage of their journey (Schlumberger, 2018).

Expectations of mobility are also clearly communicated while recruiting new employees, with recruits often being told to expect to spend a third of their careers within their country, a third within their region, and the remaining third in another global location. Moreover, managers are incentivized to facilitate the development of their team members in accordance with the Schlumberger model, because they are otherwise unfavorably looked upon and likely not promoted. This is because the company believes that the ability to develop people, and the flow of new ideas and thinking on an ongoing basis is an integral part of being a successful manager. As a result, most people at the top levels of the company have had more than six or seven international moves, and there are approximately 30 nationalities in the 50 positions within the company. However, members of the company often mention how it does not matter where someone is from, because employees who succeed at the company internalize its culture early on (Gallup, 2019).

Similarly, L’Oréal is a global personal care giant with 29.87 billion euros in revenues as of 2019 from 36 global brands spread across 150 countries, and 87,974 employees of 168 nationalities, that also focuses on leadership development through employee mobility (L’Oréal, 2019; L’Oréal, 2020; Forbes, 2020). An employee who has been with the group for 19 years expressed interest in having an international career and was offered the chance to participate in an international trainee program. He started off as a trainee in the hair color business in the United Kingdom, before moving back to Mexico to work in the makeup category. Afterward, he moved to France, and then to Brazil as the country’s Marketing Director for Maybelline New York (L’Oréal, 2018).
When I asked my panel of five cross-cultural executives about how their organizations demonstrate that they value global mindsets, they had interesting perspectives to share. Here are a couple of their thoughts:

*I have a small company with a larger footprint in India. There are intrinsic ideas and ideals that we have but there are not explicit systems in place. However, we love to hire folks who have studied in one place but worked in another, or speak multiple languages, or are local but have travelled significantly. Now there is so much you can glean through books and technologies, but such factors allow one to appreciate broader contexts. In short, it is not explicit, but it is something that we look out for.*

-Akshata Murty (Director, Catamaran Ventures)
Yes, and what we have got is two aspects. One relates to, as I mentioned earlier, the culture aspects. Not in the sense of country and culture aspects but more the diversity and inclusion aspect. We make sure our companies are trained in sensitivity and inclusion. But this is more of an American issue. Globally, it is more about gender. We have training programs and implicit programs centered around adaptability, ambiguity, and empathy. The training programs are not entirely about these but have modules on them. There are also multiple levels of leadership programs: for new managers it is “Create,” for mid-level managers we have “Elevate,” and then we have a program called “Propel” which is for those who are ready to enter the C-suite. There is culture training as part of these programs. As an example, in the last “Propel” program, one of the sessions was held in Mexico City. In addition to discussions with local managers, one of the aspects was going into the city to see museums and parks, and exploring different kinds of food. Unfortunately, we had to cancel the Mumbai trip because of COVID. So, there are culture aspects to the program as well.

-Douglas Peterson (Chief Executive Officer, S&P Global)
In one case, one of the executives held a position where he directly contributed towards the global and cultural integration of his organization:

I think we all carry conscious and subconscious biases, and the biggest thing you learn is to keep an open mind, because what may feel is obvious and correct to you in one culture is neither obvious nor correct in another culture. There are best practices you can pick up from around the world. Japan sent America total quality manufacturing (TQM). Just-in-Time manufacturing (JIT) also came from Japan. There are things you can pick up by not keeping your mind shut. There are examples of US companies failing overseas.

In my case, the biggest issue is playing arbiter between headquarters and subsidiaries overseas, because HQ brings a very strong US-oriented mindset in terms of regulation and how they see demand, and they have a bias where they assume that no one understands these issues to the same degree. The US is considered to be the world’s most developed market. But the world has changed. Companies in Southeast Asia and China are often just as competent. This is not just the case with the U.S., however, most companies tend to be home-country oriented. Therefore, subconscious bias makes the competency of other countries more difficult for local markets to accept.

-Navtej Nandra (former CEO, Morgan Stanley Investment Management)
Step 2: Identify high potentials who have global leadership potential early on, then creatively shape their career path

High-potential employees need to be identified early on in their careers so that they can be shaped into truly global leaders. This spotting of talent and potential needs to be done objectively and without subjective bias in order to raise a large army of such leaders across the organization. Creatively defining a career path for those identified can lead to them benefitting from exposure to both a breadth and depth of experiences across the various markets that are critical to the company. The organization may also consider delegating greater responsibilities to these individuals and then support them through the risks they need to take into succeed (Egon Zehnder, 2015).

High potential employees then go on to become high potential leaders who are likely to spot new high potential talent within the organization. In other words, they are likely to be development-oriented because they underwent the same experience. Such employees focus on their team’s development because they understand that it multiplies their own potential. They are adept at sizing up talent, building trusting relationships with them, motivating them, and effectively coaching them. This makes them great talent accelerators. They are able to calibrate the talent capacity of their team members, coach through assignments that harness each member’s unique potential, and are hands-on with underperforming contributors (Conger, 2018).

Schlumberger is highly structured when it comes to its systems that allow managers to identify individuals who should move. The company was able to develop some of the earliest business systems – in fact, they were one of the first companies in the world to have an intranet and were one of the first customers of Palo Alto Networks to work on cybersecurity. These systems allow managers across the company to view an employee’s entire career profile, what
they aspire to do, as well as performance information. Managers can scout new talent by business, nationality, seniority, language capability, and more. Since being put in place over 20 years ago, the systems have been continually updated with real-time discussions on global movements and the reasons behind those moves, what those moves are likely to mean, and how to execute those moves well.

Schlumberger also takes risks on early-career employees to help them develop faster. Taking such risks on younger members of the team and testing for potential is a part of the company’s culture. When the current Chief Human Resources Officer was less than 18 months into his tenure at the company, he was responsible for the technology aspect of an offshore rig with a running cost of $1.5 million per day. Moreover, the company has a strong informal coaching culture, and people take a real interest in helping one-another (Gallup, 2019).

When asked, Navtej Nandra had an interesting story to share regarding his own selection as high-potential talent and about how someone else took a risk with him:
When I came to America I applied to a job and through a series of serendipitous moments it landed on the desk of a partner of French descent. That partner, one of the guys he hung out with, was a man of Indian descent. They were both very senior guys. Because I was very clearly an immigrant trying to get a job, the French partner who was a nice guy and understood the predicament I was in, went over to the Indian fellow and asked what he thought of my application. The guy who was British-Indian said: “his schooling is really good we should check him out.” This would never have happened if they weren’t cross-cultural. They also appreciated the fact that someone who didn’t grow in the American system could add value to their profession.

To put it in perspective they hired me as a junior analyst, and I made partner at Booz in slightly over 5 years and 3 months. I was the youngest partner at the firm. So, the more diverse your background, the more you’ll appreciate opportunities that others may miss, just because you have a broader experience set and so you appreciate exceptional opportunities. From their perspective I was a new and different opportunity. Fortunately for them I was an exceptional hire, or it would’ve been embarrassing for them since at the time Booz Allen was an exceptional firm and could have its pick of talent.

-Navtej Nandra (former CEO, Morgan Stanley Investment Management)
Step 3: Establish a separate competency model for global executives.

Moving talent around the world can be expensive. In fact, expatriation typically costs three times of an employee’s salary at home. Therefore, having better metrics to track returns on employee investment is more than just financially beneficial to firms. However, a survey indicated that only 14% of companies have any mechanisms to track returns on international assignments, with many of these companies using just business generated from an assignment as an indicator of success (McKinsey, 2012).

Schlumberger, which tends to move employees laterally both geographically and operationally, is a strong meritocracy that tends to emphasize a large number of rotations across various functions. The understanding is that the next step is not necessarily a promotion one-level up and within a manager’s area of expertise. Instead, they are likely to be exposed to something different in order to be groomed for higher management. Many executives tend to cycle through Human Resources. The company’s Chief Technology Officer originally worked in operations, the Chief Operating Officer started in engineering, and the Chief Financial Officer ran an offshore rig business. The idea behind such exposure is that it is easier to make decisions for a business when you’ve experienced its various facets (Gallup, 2019).

For instance, the company’s Chief Human Resources Officer is originally from Australia, was hired in Spain, and was immediately sent out to an oil rig in Saudi Arabia. From there, he cycled through positions in New Zealand and Australia as part of Schlumberger’s engineer development cycle, and then moved to Malaysia after a few years where he was responsible for the deployment of cutting-edge technology across Asia and the Middle East. Two years after that, he moved again to run a base inside the Arctic Circle in Alaska for a few years, and then managed drilling businesses in the Gulf of Mexico followed by Norway. He was subsequently
transferred to Houston, Texas for his first role within Human Resources, following which he was asked to move again and take on the role of general manager for Australia, New Zealand, and Papua New Guinea between 2009 and 2013. Next, he moved back to Houston to manage one-third of the company’s research and development budget with centers across the United States, United Kingdom, and Asia. In 2017, he was put in charge of a software business, before being back in human resources (Gallup, 2019).
Step 4: Ensure that employee worries are assuaged.

If employees are to move abroad, they are likely to have concerns and hesitations that need to be addressed before they make the jump. Most often, these tend to be about not having a lifeline back to the parent company, loss of visibility back at headquarters, and family unhappiness. Once assurances are made and have been proven to hold the test of time, high potential talent is more likely to agree to relocation.

Often, high performers might be hesitant to take on overseas positions because they may come back to the headquarters only to find that they are less well known, that their circle of colleagues has moved on to other roles, and that people back home are not interested in what they have achieved while abroad (Egon Zehnder, 2017). In fact, evidence shows that in American and European multinational corporations, expatriates take longer to ascend the corporate ladder than their counterparts who remain within their home countries (McKinsey, 2012). This therefore creates an incentive problem.

Companies need to ensure individuals that their achievements abroad are recognized as integral to career development and promotion prospects and put such individuals in positions where they can serve as role models who encourage others to pursue international opportunities. They need to repatriate employees from abroad in a timely manner and ensure that their newly gained knowledge is put to use.

Another way they can do so is by relocating key executives and functions to foreign markets critical to the company’s growth, as such relocation will send a powerful signal to the rest of the organization regarding the importance of international work experience (Egon Zehnder, 2017). Yet, surprisingly, only 2 percent of the top 200 executives of major companies
A large number of multinational companies around the world still have a small group of leaders in their home countries make key decisions for the entire company. While local country managers and subject matter experts are hired, only a select few from headquarters tend to be groomed to be global leaders. This is far from adequate from today, with the diversity of the revenue streams of large and diversified global conglomerates. Optimized decision making tailored to individual regions required such deliberation of be decentralized and collaborative, and this requires the development of leaders in foreign locations too (Harvard Business Review, 2012).

Coca-Cola is a company that has done a great job of this for a long time. Despite being based out of Atlanta, it had a South African CEO in the 1960s. Since then, its CEOs have come from Cuba, Australia, Ireland, and Turkey, amongst other places. Nestle and Novartis – two traditionally Swiss companies – have made shifts from Swiss-dominated leadership to one that features a non-Swiss majority for business units outside of Switzerland. Nestle’s board represents over ten nationalities while over 80% of Novartis executives are from outside Switzerland (Harvard Business Review, 2012).

Lastly, the importance of family in a global executive’s success is hardly a new idea. In fact, family failure to adjust to new circumstances is often cited as a reason that executives end their overseas assignments prematurely. Difficulties in adaptation may be a result of both direct stressors such as a challenging local environment (for instance, if the spouse does not speak the local language) and indirect stressors (such as greater demands on the executive’s time from global work). In fact, it can be argued that the adjusted might be even more challenging for the
family, since the executive is likely to work at an office with relatable company culture and English-speaking employees. In some cases, being a stay-at-home husband may be difficult because certain societies (such as some Asian ones) are not accustomed to the idea. In the case of dual-career couples, child-care may be a problem, and this is after the fact that in some countries foreign spouses are not allowed to work (McCall & Hollenbeck, 2002).

Overall, my panel of seasoned, cross-cultural executives supported the idea of taking risks in one’s career instead of succumbing to the seductive choice:

There’s a time and a place for everything and you can’t always do what you think you wanted to do at the time. But in retrospect, you need to be willing to be open-minded and take risks. But what does risk mean? I’m not necessarily saying quit college and create an entrepreneurial venture. The most successful people I know are those who have found who they are while they’re taking risks and, for the most part, failed at it. It’s a bit like a phoenix rising from the ashes. Figure out what you want and how to go after it.

-Akshata Murty (Director, Catamaran Ventures)
In life, whether professional relationships or decisions that you make, you’ll be presented with a seductive choice: easy to do, pleases all the right people, and has the crowd cheering for you. 90% of the time that apparent answer may be correct. But every once in a while, you have to ask yourself whether you’re being seduced or whether you’re being principled. This applies to your career, personal relationships, professional relationships, et cetera.

Recognizing whether I’m being seduced for the right or wrong reasons has been important. For example, sometime after I made partner at 29, I got a double jump as partner. I was doing well and could have stayed at Booz; the seductive choice. However, I realized that I did not enjoy what being a Senior partner was about: spending a lot of time relationship building. Trust me I knew how to sell and had a damn good selling record, but when I thought about what made me happy, it became clear to me that I had to walk away. I had been consulting at that time for 7 years.

So, step back every once in a while and ask yourself if the easy answer is the right answer. If you do decide otherwise, you then have to be thoughtful. Change is never easy and is usually contrary to what people want to do. Sometimes, when I work with other people, it may also be my job to help them see this important distinction that they need to make. The question you’ll have to ask in life is whether you want to be a principle-led leader or an outcome-led leader.

-Navtej Nandra (former CEO, Morgan Stanley Investment Management)
Conclusion

My takeaways from this research have been numerous. I went into this thinking that cross-cultural leaders are important primarily because companies are now more global than ever before in terms of their footprint and because people tend to live in places outside of their home countries in increasingly large numbers. However, over the course of this thesis, I have learnt that cross-cultural leaders are also increasingly important because of the growth in trade and the requirement for product individualization for local markets in the face of more recent wave of nationalism sweeping across the world. The result of this is the fact that consumer empathy is often a critical success factor (as in the case study of Hindustan Unilever in chapter 1), and this is only helped by having global leaders on board. Additionally, not too many companies appear to have talent pipelines in place to develop such leaders, but the some that do (such as Schlumberger) are really good at it. Furthermore, I now understand the true scope of global trade and the explosive proliferation of it over the last three centuries.

Summarizing the key lessons of my research goes as follows. First, we need cross-cultural leaders today because they bring to the table a strategic mindset that helps win consumer empathy and navigate the complex business and regulatory hurdles in host markets. Product individualization combined with consumer empathy help counter the rising levels of nationalism. This is especially important now that many American companies earn a majority of their revenue from outside the United States. The number of international migrants and expatriates has also grown steadily over time and is projected to grow even further. Moreover, international economic activity takes place not only in the form of cross-border trade but also through the growing number of international mergers and acquisitions deal activity.
Second, while all the literature out there suggests a multitude of traits that cross-cultural leaders possess, I have distilled them down to four key ones. Successful leaders have high cultural intelligence and adaptability, are learners who possess strong growth mindset, develop skillsets that add value to their role and their organization, and are highly resilient and quickly recover from setbacks. Catalytic learning is essential to any high potential leader and the above four traits help them analyze a new culture and unfamiliar situations. Doing so allows them to adapt in terms of being able to judge how much of each of the behaviors in the discussion on the GLOBE studies in chapter 3 needs to be demonstrated.

Third, in exploring relationships between cross-cultural leaders and well-run organizations, we notice that the most successful companies have the highest proportions of cross-cultural leaders, with this percentage falling as we move further down the rankings. In fact, companies ranked by cross-cultural leaders averaged higher rankings and did so more consistently (smaller standard deviation). They also achieved more favorable rankings individually across each of the following six factors: customer satisfaction, employee engagement and development, innovation, social responsibility, financial strength, and stock performance. This leg up in performance was found to be sustained even after accounting for the age of the CEO, tenure of the CEO, and age of the CEO at the beginning of tenure across each of the six factors. The technology, consumer staples, and consumer discretionary sectors have the highest percentage of cross-cultural leaders, which makes sense given the high degree of product and service individualization required for every market. On the other hand, the materials, real estate, and utilities sectors had the smallest percentage of such leaders. It was also found that such leaders tended to be internal promotes to CEO roles, implying that they were groomed internally.
Lastly, I discovered that while a majority of the leaders across organizations understood the pressing importance of having executives with cross-cultural talents and mindsets, they also claimed that their organization was underprepared in this regard. Through a study of existing processes and research, I determined that organizations can reinforce their global leader talent pipelines by creating a culture where a global mindset is valued, by identifying high potentials who have global leadership potential early on and then creatively shaping their career path, by establishing separate competency models for global executives (including tracking return on investment on such talent), and by ensuring that employee worries are assuaged. This last point is especially important. Oftentimes, when considering whether to take on a foreign assignments, employees may be worried about not having a lifeline back to the parent company, about loss of visibility at headquarters, and about family unhappiness. Once assurances are made and have been proven to hold the test of time, high potential talent is more likely to agree to a relocation.

In an increasingly globalized world, the results from this study can be used to better understand what makes effective global leaders, and how to develop them. This has the potential to help companies not only run international operations more effectively, but also deal with a diverse workforce through empathy. For companies, this can lead to a more substantial global presence, and larger revenues and consequent bottom lines. Meanwhile, for individuals, this can lead to a more inclusive work environment, as well as greater sensitivity to other cultures and people.

However, there are certain interesting and important questions that remain unanswered. First, we see in Exhibit 7 on page 23 that people found global experiences to have the greatest impact early on in their careers, relative to at more senior levels. Some organizations, such as the global investment manager Wellington Management Company, may take senior partners and
send them around the world to run their international offices. While some of these partners may have early career experience in an international location, some others may be transplants from the home country of the organization. It would be interesting to analyze whether one is in fact better than the other in practice and, if so, whether it would be beneficial for international organizations to mandate at least one international assignment or preferably even two so that future leaders are able to experience multiple cultures.

Second, it would be interesting to see whether effective global leadership is a result of nature or nurture. Could global leadership be due to genetic disposition which should cause more of a selection process rather than a development process? For example, in tennis, one needs the physiology to be a world-class tennis player. Alternatively, if it is indeed the result of nurture, should future leaders actively take charge of their own leadership development and seek organizations such as Schlumberger that would help them become global leaders? One line of reasoning behind this is that it is develop a habit or a mindset when one spends time with people who are either working to pursue a similar goal or embody the outcome, as suggested by Clear (2018) in his book *Atomic Habits*.

Third, why is it that some companies have corporate cultures that produce more global leaders? What is it about not only the culture but, just as importantly, the structure of the organization and the reward and incentive systems within? For instance, in the world of executive development, there are certain “academy companies” such as PepsiCo and General Electric. Are there any such academy companies for global leadership talent?

Nevertheless, as organizations look to a future where the world is increasingly integrated and globalized, and where operations become even more international, they must seriously think about how to implement global leader talent pipelines in order to future-proof themselves.
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https://doi.org/10.1037/a0036628


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*The 6 dimensions model of national culture by Geert Hofstede.* (2020, March 21).


Appendices
Appendix 1. A list of the 120 companies selected for phase 1 of further data collection:

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<td>Schlumberger</td>
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<td>Goodyear Tire &amp; Rubber</td>
</tr>
<tr>
<td>293</td>
<td>Wyndham Destinations</td>
<td>400</td>
<td>Broadcom</td>
</tr>
<tr>
<td>306</td>
<td>Expedia Group</td>
<td>404</td>
<td>Williams-Sonoma</td>
</tr>
<tr>
<td>316</td>
<td>Bank of New York Mellon</td>
<td>411</td>
<td>American Tower</td>
</tr>
<tr>
<td>319</td>
<td>MGM Resorts International</td>
<td>434</td>
<td>Navistar International</td>
</tr>
<tr>
<td>RANKING</td>
<td>COMPANY</td>
<td>RANKING</td>
<td>COMPANY</td>
</tr>
<tr>
<td>---------</td>
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<td>----------------------------</td>
</tr>
<tr>
<td>445</td>
<td>Devon Energy</td>
<td>592</td>
<td>Dollar General</td>
</tr>
<tr>
<td>450</td>
<td>Norwegian Cruise Line Holdings</td>
<td>601</td>
<td>Bed Bath &amp; Beyond</td>
</tr>
<tr>
<td>454</td>
<td>Abercrombie &amp; Fitch</td>
<td>609</td>
<td>Cinemark Holdings</td>
</tr>
<tr>
<td>454</td>
<td>United States Steel Corporation</td>
<td>611</td>
<td>Charter Communications</td>
</tr>
<tr>
<td>480</td>
<td>Kinder Morgan</td>
<td>612</td>
<td>DISH Network</td>
</tr>
<tr>
<td>485</td>
<td>Reliance Steel &amp; Aluminum</td>
<td>617</td>
<td>Equifax Inc</td>
</tr>
<tr>
<td>489</td>
<td>Crown Castle International</td>
<td>618</td>
<td>Lions Gate Entertainment</td>
</tr>
<tr>
<td>498</td>
<td>Willis Towers Watson</td>
<td>621</td>
<td>News Corp</td>
</tr>
<tr>
<td>498</td>
<td>Barnes &amp; Noble</td>
<td>625</td>
<td>Rite Aid</td>
</tr>
<tr>
<td>500</td>
<td>Foot Locker</td>
<td>627</td>
<td>Dollar Tree</td>
</tr>
<tr>
<td>516</td>
<td>Aramark</td>
<td>631</td>
<td>CNO Financial Group</td>
</tr>
<tr>
<td>516</td>
<td>ABM Industries</td>
<td>632</td>
<td>Acadia Healthcare Company</td>
</tr>
<tr>
<td>516</td>
<td>Live Nation Entertainment</td>
<td>633</td>
<td>Triumph Group</td>
</tr>
<tr>
<td>516</td>
<td>Skechers USA</td>
<td>634</td>
<td>Sinclair Broadcast Group</td>
</tr>
<tr>
<td>530</td>
<td>Cboe Global Markets</td>
<td>634</td>
<td>G-III Apparel Group</td>
</tr>
<tr>
<td>558</td>
<td>J C Penney Company</td>
<td>636</td>
<td>Colfax</td>
</tr>
<tr>
<td>563</td>
<td>Kraft Heinz</td>
<td>637</td>
<td>AXIS Capital Holdings</td>
</tr>
<tr>
<td>563</td>
<td>Wayfair</td>
<td>638</td>
<td>TransDigm Group</td>
</tr>
<tr>
<td>568</td>
<td>Dick’s Sporting Goods</td>
<td>639</td>
<td>Diplomat Pharmacy</td>
</tr>
<tr>
<td>576</td>
<td>AMC Networks</td>
<td>640</td>
<td>Frontier Communications</td>
</tr>
</tbody>
</table>
Appendix 2. A list of the 40 companies selected for phase 2 of further data collection:

<table>
<thead>
<tr>
<th>RANKING</th>
<th>COMPANY</th>
<th>RANKING</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Microsoft</td>
<td>326</td>
<td>Quest Diagnostics</td>
</tr>
<tr>
<td>3</td>
<td>Apple</td>
<td>330</td>
<td>Chipotle Mexican Grill</td>
</tr>
<tr>
<td>4</td>
<td>Alphabet</td>
<td>341</td>
<td>Macy’s</td>
</tr>
<tr>
<td>5</td>
<td>Cisco Systems</td>
<td>365</td>
<td>Mattel</td>
</tr>
<tr>
<td>10</td>
<td>3M</td>
<td>367</td>
<td>Xerox Holdings</td>
</tr>
<tr>
<td>13</td>
<td>Mastercard</td>
<td>373</td>
<td>General Dynamics</td>
</tr>
<tr>
<td>16</td>
<td>Nike</td>
<td>384</td>
<td>DaVita</td>
</tr>
<tr>
<td>31</td>
<td>Boeing</td>
<td>400</td>
<td>Broadcom</td>
</tr>
<tr>
<td>46</td>
<td>AT&amp;T</td>
<td>404</td>
<td>Williams-Sonoma</td>
</tr>
<tr>
<td>100</td>
<td>General Electric</td>
<td>434</td>
<td>Navistar International</td>
</tr>
<tr>
<td>164</td>
<td>Humana</td>
<td>489</td>
<td>Crown Castle International</td>
</tr>
<tr>
<td>169</td>
<td>Tiffany &amp; Co.</td>
<td>498</td>
<td>Willis Towers Watson</td>
</tr>
<tr>
<td>169</td>
<td>Mondelez International</td>
<td>516</td>
<td>Aramark</td>
</tr>
<tr>
<td>176</td>
<td>American Airlines Group</td>
<td>516</td>
<td>ABM Industries</td>
</tr>
<tr>
<td>246</td>
<td>Palo Alto Networks</td>
<td>563</td>
<td>Kraft Heinz</td>
</tr>
<tr>
<td>291</td>
<td>Conagra Brands</td>
<td>601</td>
<td>Bed Bath &amp; Beyond</td>
</tr>
<tr>
<td>293</td>
<td>Schlumberger</td>
<td>617</td>
<td>Equifax</td>
</tr>
<tr>
<td>306</td>
<td>Expedia Group</td>
<td>618</td>
<td>Lions Gate Entertainment</td>
</tr>
<tr>
<td>316</td>
<td>Bank of New York Mellon</td>
<td>621</td>
<td>News Corp</td>
</tr>
<tr>
<td>319</td>
<td>MGM Resorts International</td>
<td>636</td>
<td>Colfax</td>
</tr>
</tbody>
</table>
Appendix 3. The 34 indicators used to determine the scores for customer satisfaction, employee engagement and development, innovation, social responsibility, and financial strength (Drucker Institute at Claremont Graduate University, 2019):

<table>
<thead>
<tr>
<th>Data Source</th>
<th>What Is Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Customer Satisfaction Index</td>
<td>Customer satisfaction for household products and services available to U.S. consumers.</td>
</tr>
</tbody>
</table>
| CSRHub and Sustainalytics: Product Integrity and Customer Experience metric* | >The integrity and brand strength of a company’s products and sales practices, including its labeling and marketing, social impacts and end-of-life disposition.  
> The customer’s experience through the lens of a company’s product safety and data privacy programs and efforts. |
<p>| J.D. Power: Bain Certified Net Promoter Score | The willingness of a customer to recommend a company’s products or services to others, which is seen as a proxy for gauging the customer’s overall satisfaction. |
| J.D. Power: Customer Satisfaction Index* | How satisfied a customer is with a company or one of its brands. |
| wRatings: Quality Score | How well a company meets customer expectations. |</p>
<table>
<thead>
<tr>
<th>Data Source</th>
<th>What Is Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRHub: Comp &amp; Benefits Rating</td>
<td>&gt; A company’s capacity to increase its workforce loyalty and productivity through rewarding, fair and equal compensation and financial benefits.</td>
</tr>
<tr>
<td></td>
<td>&gt; Includes benefits that engage employees and improve worker development</td>
</tr>
<tr>
<td></td>
<td>&gt; Also focuses on long-term employment growth and stability by promotion practices, lay-off practices and relations with retired employees.</td>
</tr>
<tr>
<td>Glassdoor: Culture &amp; Values Rating, Career Opportunities Rating,</td>
<td>How well the organization’s employee-related practices align with several key Drucker principles.</td>
</tr>
<tr>
<td>Compensation &amp; Benefits Rating</td>
<td>Glassdoor engagement metrics: Overall Rating, Recommend Rating</td>
</tr>
<tr>
<td></td>
<td>Employee engagement with the organization.</td>
</tr>
<tr>
<td>Glassdoor confidence metrics: CEO Rating, Positive Business Outlook Rating</td>
<td>Confidence in the organization and its leadership.</td>
</tr>
<tr>
<td>kununu: Overall Workplace Rating</td>
<td>Eighteen different attributes, including support from management, autonomy, career development, work environment, company culture and more.</td>
</tr>
<tr>
<td>PayScale: Pay Differential</td>
<td>The typical percent difference between what employees make at a given company and what they make in the broader market accounting for job title, skills, years of experience, and several other factors that affect pay.</td>
</tr>
<tr>
<td>PayScale: Job Satisfaction</td>
<td>Employee responses to the statement: “I am extremely satisfied working for my employer.”</td>
</tr>
<tr>
<td>Innovation</td>
<td>Data Source</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Burning Glass Technologies: Cutting-edge Job Postings (Relative)</td>
<td>Hiring in 10 cutting-edge fields: Internet of Things, artificial intelligence, fintech, augmented and virtual reality, drone technology, blockchain, mobile payments, robotics, autonomous vehicles and 3-D printing.</td>
</tr>
<tr>
<td>Burning Glass Technologies: R&amp;D Job Postings (Relative)</td>
<td>Hiring for research and development positions.</td>
</tr>
<tr>
<td>Clarivate Analytics: Number of Inventions (Relative)</td>
<td>Publication of the first patent application.</td>
</tr>
<tr>
<td>Clarivate Analytics: Rate of Patent Abandonment (Relative)</td>
<td>Rate at which patent applications are abandoned, giving a sense of whether a company follows Drucker’s principle of no longer investing in products and services that have become obsolete.</td>
</tr>
<tr>
<td>Clarivate Analytics: Trademark Applications (Relative)</td>
<td>Number of trademark applications filed annually.</td>
</tr>
<tr>
<td>Clarivate Analytics: Trademark Registers (Relative)</td>
<td>Annual count of different registers where trademarks have been filed, indicating new distribution channels.</td>
</tr>
<tr>
<td>Clarivate Analytics: R&amp;D Expenditures (Relative)</td>
<td>Research and development expenditures.</td>
</tr>
<tr>
<td>“Most Innovative” company listings</td>
<td>Innovation and technological accomplishment in products and processes.</td>
</tr>
<tr>
<td>Professor Dimitris Papanikolaou of Northwestern University and Professor Amit Seru of Stanford University: Patent Value (Relative)</td>
<td>Innovativeness of firms based on the market’s immediate valuation of their patents granted over the previous year.</td>
</tr>
<tr>
<td>Supply Chain Resource Cooperative: Innovation Rating</td>
<td>Metrics related to spend management, category management, strategic sourcing and supplier relationship management.</td>
</tr>
<tr>
<td>wRatings Innovation Index</td>
<td>Consumer perceptions of companies’ performance in innovation.</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>Data Source</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>CSRHub: Overall ESG Score (Absolute)</td>
</tr>
<tr>
<td></td>
<td>CSRHub: Overall ESG Score (Relative)</td>
</tr>
<tr>
<td></td>
<td>HIP Investor: Overall ESG Rating</td>
</tr>
<tr>
<td></td>
<td>“Shared Value” metric</td>
</tr>
<tr>
<td></td>
<td>Supply Chain Resource Cooperative: Social Responsibility Rating</td>
</tr>
<tr>
<td></td>
<td>Sustainalytics: Management Score (Absolute)*</td>
</tr>
<tr>
<td></td>
<td>Sustainalytics: Management Score (Relative)*</td>
</tr>
<tr>
<td><strong>Data Source</strong></td>
<td><strong>What Is Measured</strong></td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td><strong>Financial Strength</strong></td>
<td></td>
</tr>
</tbody>
</table>
| ISS EVA: Economic Profit metric* | >Economic Value Added.  
> EVA Spread.  
> EVA Margin.  
> EVA Momentum by Capital.  
> EVA Momentum by Sales. |
| Thomson Reuters Eikon: Accounting Profit metric* | >Operating return on invested capital.  
> Return on assets.  
> Return on common equity.  
> Earnings for common shareholders. |
| Thomson Reuters Eikon: Share of Market | The percentage of an industry or market’s total sales that is attributable to the particular company over a specified time period. |
| Thomson Reuters Eikon: Three-Year Average Total Shareholder Return* | Combines share price appreciation and dividends paid to show the total return to the shareholder. |
Appendix 4. A breakdown of the sex of the CEOs in this study, divided over the four company quartiles:

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male %</th>
<th>Female %</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>33</td>
<td>2</td>
<td>35</td>
<td>94.29%</td>
<td>5.71%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Q2</td>
<td>24</td>
<td>1</td>
<td>25</td>
<td>96.00%</td>
<td>4.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Q3</td>
<td>23</td>
<td>2</td>
<td>25</td>
<td>92.00%</td>
<td>8.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Q4</td>
<td>33</td>
<td>2</td>
<td>35</td>
<td>94.29%</td>
<td>5.71%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total</td>
<td>113</td>
<td>7</td>
<td>120</td>
<td>94.17%</td>
<td>5.83%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Given the small number of female CEOs as compared to male ones, this was not used in chapter 4. However, it has been included here for the sake of completeness.
Appendix 5. Interview with Akshata Murty (Director, Catamaran Ventures):

Name: Akshata Murty

Positions: Director, Catamaran Ventures; Trustee, Claremont McKenna College

Countries: India, United Kingdom, United States

1. In what contexts is there a requirement for cross-cultural leaders today? Are there historic contexts where cross-cultural leaders were required but this is no longer the case today?

I think the world is just getting smaller rather than bigger. People are connected in such a close knit fashion. Partly because of technology, partly newer perspectives, partly Gen-Z. The notion of me coming from here and you coming from there is evaporating. With technology being so ubiquitous, we can make a business deal on Zoom and it wouldn’t matter where you come from.

You have to understand different impulses, and live work and breathe in different environments. In fact, this is more relevant to what's happening around the world today rather than in history. Look at the historical events of the last 100 years, and look at World War I and World War II, and look at the holocaust and examine the leaders who were relevant then, like Hitler in Germany, Churchill in the UK, Roosevelt in the US, Gandhi in India. Gandhi was able, because of his cross-cultural exposure growing up in an Indian multigenerational family combined with Hindu philosophical underpinnings and his experiences in South Africa, to stand up at the time to a global superpower.

Then, look at Hitler, who was someone who wasn’t looking at things from a global standpoint, but rather was uniquely focused on Germany and it resulted in them using extreme measures of violence. Even FDR was focusing on what was relevant for America until Pearl
Harbor happened and then there was a roundtable involved on how Hitler can be erased off the map. Understanding things from a global perspective can have more positive outcomes than not.

2. As a result of your international experiences, what characteristics and mindsets do you believe you have cultivated that have helped you be successful in your career and outperform your peers? Could you provide two concrete examples?

Whether you call it cross-culturalism, globalism, or internationalism, it is so intrinsic to who I am, that it’s hard for me to say that without X, Y, Z my life wouldn’t be the way it is today. I grew up in India but my father was an entrepreneur and he travelled a lot while I was growing up. Then, I went to CMC and lived in the US for 16 years, and now live in the UK. I lived in France in between. I was reading about Anne Boleyn at the time. She lived in France at a time and that gave her complexity. In the 1500s, the fact that a young British woman had crossed the channel, and had gained exposure and brought home unique perspectives made her stand out. In my own life, nine was the first time I sort of had my first substantial international experience. This has allowed me to have a variety of exposure and thoughts. For example, in the UK, with its range of political debate, the foremost is Brexit and figuring out which side you lie on.

One of the first times I was able to tangibly use that thinking was when I was young and took a job at an agency focusing on brand naming, and part of my value-add was bringing international contexts to brand naming so as to enable Unilever, Microsoft, or RIM to come out with a brand name that not only struck a cord locally, but also globally. That was hugely interesting to me, and because of my experiences even at the age of 26 – because I had lived and worked and understood different cultural contexts – I was able to add value. One of the things I do now is I invest in early stage consumer companies in the UK. In a number of situations I sit
on their board. Even when companies build domestic businesses, the fact that I can provide perspectives that are global is hugely relevant.

3. **Does your organization have structures and systems in place to develop cross-cultural leaders? Could you provide certain examples of these?**

   I have a small company with a larger footprint in India. There are intrinsic ideas and ideals that we have but there are not explicit systems in place. However, we love to hire folks who have studied in one place but worked in another, or speak multiple languages, or are local but have travelled significantly. Now there is so much you can glean through books and technologies, but such factors allow one to appreciate broader contexts. In short, it is not explicit, but it is something that we look out for.

4. **What is the single greatest experience you have had over your career, and what did it teach you about cross-cultural leadership?**

   I wouldn’t say there’s one experience but rather a set of experiences. It seems like being able to adapt and meet the demand of the time is crucial. For example, when I was in your shoes trying to figure out whether to go into consulting or investment banking, Sept 11 hit and if you were an international student you were sort of asked to rescind your application because of all the issues around immigration, terrorism, and which country you came from. I attribute it to my liberal arts education to be able to operationalize in which context to operate, which country to live in, which companies to do business with, or the investment process. You have to take risks, fail, and build back up fast and take the next step. That has happened to me so many times.
5. **This one is a general question. What is the single most important lesson or skill that you have learned over your career?**

   The problem with giving this answer is that it’s a bit retrospective. There’s a time and a place for everything and you can’t always do what you think you wanted to do at the time. But in retrospect, you need to be willing to be open-minded and take risks. But what does risk mean? I’m not necessarily saying quit college and create an entrepreneurial venture. The most successful people I know are those who have found who they are while they’re taking risks and, for the most part, failed at it. It’s a bit like a phoenix rising from the ashes Figure out what you want and how to go after it.

   I think I sort of did it because that’s who I am. I went with intuition. For me, that means risk-taking and pursuing opportunities that were the most meaningful for me. Out of CMC, I worked with Deloitte’s valuation group because I was fascinated by brands and they did inter-brand surveys. I was fascinated by how you can value something intangible Investment banking, to me personally, sounded awful and, frankly, I don’t think I would have been very good at it.

   In some ways the choice I made of going to CMC fits here too, since the institution is much better known now. I ended up meeting an incredible professor, learnt a lot under him, went to Stanford, then got a “good” offer to work at a marketing agency. But then, I instead picked a little shop outside Sausalito that focused on naming brands. But I really feel so fulfilled when I look back at the different experiences I have had and who that has made me today. Having good instincts and self-understanding is so important rather than being defined by purely external mark
Appendix 6. Interview with Ahmed Al-Sager (Board, Kuwait Investment Authority):

Name: Ahmed Al-Sager

Positions: Founder, Al-Yasra Group; Board Member, Kuwait Investment Authority

Countries: Kuwait, United States

1. In what contexts is there a requirement for cross-cultural leaders today? Are there historic contexts where cross-cultural leaders were required but this is no longer the case today?

It is required in most organizations that want to trade across borders, unless you're working in places where the languages are specific, for example, Arabic, Hungarian, or Hindi. People need to understand that if I work for an Indian company and I am Arab there is no such thing as a glass ceiling. I will never be handicapped for not being part of the same culture. But this requires a sense of fairness and a sense of openness. The best combinations I have seen are where someone goes for the best talent out there but then creates a team spirit which is then a derivative of cross-think and fairness of leadership. A fair system does not handicap people from different cultures. For example, the employer understands that if I am Arab I need to leave work to pray on Friday, while a Jew might go the next day.

2. As a result of your international experiences, what characteristics and mindsets do you believe you have cultivated that have helped you be successful in your career and outperform your peers? Could you provide two concrete examples?

I was lucky to always have great people around me, but I think two things have helped me most. First, my sense of optimism. We live in the middle east, and everyday is a new crisis, so you must have the optimism that this too shall pass. Optimism is a positive form of resilience for me. However, it must be realistic optimism and not naive optimism. Second, having a
strategic mindset. Up to a junior manager level, what is required of you is execution. For example, I had a boss early in life and I would tell him that I was thinking something. He would tell me: “Ahmed, you’re thinking too much. I need you to get the job done.” As you move up, however, you need to move from execution to having a strategic mindset. The best leaders are those who can marry execution with strategy. Luckily, I have always been paired with those who are better than me in execution.

3. **Does your organization have structures and systems in place to develop cross-cultural leaders? Could you provide certain examples of these?**

Here, we don’t call them cross-cultural leaders. One of the majority of the places where the majority of the labor force is non-local is the middle east. Non cross-cultural organizations are the exception. Diversity becomes a must even in organizations that are uniquely reflections of their own cultures. For example, if a Syrian company has a Syrian CEO or CFO, they are still likely to have Kuwaitis in other leadership positions.

Even though we have 18 nationalities working together, I never had the thought that our organization is cross-cultural. To me, this is normal. Most companies in the middle east will have at least 5 to 6 nationalities since most of the labor force are nonlocals. I have always felt very comfortable with all nationalities and backgrounds. I am not sure if this is a secret of success, but it’s also something I have never had to do consciously or something I have worked on developing. It just happens to be the case for me.
4. What is the single greatest experience you have had over your career, and what did it teach you about cross-cultural leadership?

For me, this has to do with understanding risk. In the U.S., they talk about recessions. In Kuwait, in the last 30 years we have gone through an invasion, a war with Iraq, and 3 big international recessions (Asia in 1997, Kuwait in 2006, and the U.S. in 2008). In 2003, we had zero sales when we were at war with Iraq and were hosting American troops. People were scared and just staying home. So you must know how to maneuver crises that are big and international. This has the challenge of COVID less difficult for us than it is for others.

5. This one is a general question. What is the single most important lesson or skill that you have learned over your career?

There are two things, actually. First, as we grow, the proper governance of any organization and the concept of checks and balances should apply to leadership. When you grow from small to big you have to make decisions on the go. As you grow the decisions start having bigger impacts. Things go wrong if you don’t have proper governance, or if the board does not reign in the leadership like the bridle on a horse does, within reason of course. I look at the two biggest mistakes of my career and those have basically been where no one has come in and intervened. Second, I cannot overemphasize the importance of understanding strategy. You need to have a strategy and reasons for doing what you do. While these two things are important in all situations, both apply more in cases where founders or a family are in charge.
Appendix 7. Interview with Charles Mounts (Chief Index Officer, S&P Global):

Name: Charles Mounts

Positions: Chief Index Officer, S&P Global; former Managing Director/Global Head of FICC Research, UBS

Countries: United Kingdom, United States

1. In what contexts is there a requirement for cross-cultural leaders today? Are there historic contexts where cross-cultural leaders were required but this is no longer the case today?

   Cross-cultural leadership and managerial skills are more pervasive now than they have ever been. I cannot think of an instance where they were applicable before where they are not now. The context and need for cross-cultural awareness and leadership is really about people. In most organizations people really define the products, development, revenues, and success in the company. It all comes down to people. In a world where you’re trying to have the most diverse talent pool, one of the goals of diversity from a business perspective is to have different inputs, creativity and viewpoints to problem solve and innovate. For companies that need to do that as part of their daily function, having diverse talent is important. Being able to attract and retain diverse talent means the leadership has to have the skills to work and lead in a multicultural fashion.

   One of the things that I have brought to the table as a performer, and ultimately a manager and a leader, is that the diversity of the life experiences I have had has played a fundamental role in demonstrating to me that what you have learnt and need to be successful in one place is different from what you need in another place. Keeping that in mind can position a person well for working multiculturally. It’s really about thinking and working multidimensionally. Each
person is unique. There are certain parameters that are helpful to get to know and understand to get the best out of people.

The other thing I would say is that part of working multiculturally is people, getting people together, skills, experience, innovation but it's also about keeping people engaged. To chase success in business you need to have a high degree of engagement with your team. People feel like they belong, like they’re heard, like they’re part of the organization. That’s another reason to be able to engage a more diverse and different experience workforce.

2. **As a result of your international experiences, what characteristics and mindsets do you believe you have cultivated that have helped you be successful in your career and outperform your peers? Could you provide two concrete examples?**

The high level one is being open minded. One of the things I have previously talked about is being inquisitive and a lifelong learner. Being inquisitive in this context is a similar trait. If you go into any situation or a cultural or working environment that is different with the mindset that “I can learn from this,” I guarantee that you will learn from it. It will be very exciting and fulfilling to figure out what you can learn from that.

One of the primary facilitators of being successful and putting yourself out there to try new things is having the resilience and bravery to try something different that you are not familiar with and being open to what you might find. We all have preconceived ideas. Sometimes you’re conscious of them and sometimes you are not. But really making a purposeful effort to leave your biases and preconceived ideas to the side is a really important attribute. That requires resilience so when something surprises you, you can reflect upon it and how to think about it.
Another thing I have learnt is to respect other approaches, cultures, and ways of thinking. Even if sometimes we perhaps categorically disagree with them. It’s kind of like free speech on college campuses. Listening to somebody else's point of view that’s different from your own and trying to take something away from it can be an important lesson. When you’re working internationally that is an important part of life. When you do all of that, what you find is an appreciation for the cultural impact or framework that different people may work in. You don’t want to stereotype people, because you may have someone from the country that doesn’t fit a stereotype at all.

Also, having the knowledge and being sensitive to what may be at play culturally. That’s the kind of thing you learn the hard way. I guess a couple of examples are: in my prior life on Wall Street, I had a global client base and I was connecting with investors around the world. They kind of had to trust me, because at the end I was providing investment advice. Building that trust is complicated. It’s multi-layered. Having that cultural awareness helps you better build that trust.

As an example, what I learnt when working in Europe is that when speaking to an audience or giving a presentation, in Germany or Holland, what worked well as an American was to be self-deprecating or making fun of myself being an American. Sometimes I would start a speech off by giving a line from that famous speech of JFK’s from Berlin. That would make them think that I understand them. That didn’t work in Italy. So you need to know what works with what audience. It’s all culturally different. Same thing with meetings. When you attend meetings in Switzerland, you better be exactly on time. One time I was 2 minutes late, and the first thing the person said to me was “you’re 2 minutes late.” In Spain or Italy, even if you’re 15 minutes late, you’re still early. There’s a huge gap in expectations.
When working in teams, understanding the nuances of languages is important too. I lived in London for 10 years and ran a global team. Even English on English, it’s very different. We may have the same words but the words may have different meanings. In British English “oh that’s interesting” means that it’s a bad idea, whereas in the U.S. you’ll think of it as something positive. But no one tells you that, you learn that later.

3. Does your organization have structures and systems in place to develop cross-cultural leaders? Could you provide certain examples of these?

My answer is I think they do, but I can’t speak to all of them. There is a very high level executive training program and manager training program, and they are designed to foster the sense of leadership for people at different levels across the firm. A component of that is working multiculturally and internationally.

4. What is the single greatest experience you have had over your career, and what did it teach you about cross-cultural leadership?

I would say working in London. That was really a life changer, not just career-wise but personally. One of the reasons for that was the multicultural experience I had there. I went from working in New York and almost all American, with clients that were primarily American, to working in London where I was part of a multicultural team and ultimately ended up leading a multicultural team and working with global clients. I find connecting across cultures one of the most interesting aspects of work. I think part of my interest in this is rooted in my interest in history. I like to understand the history of a place or a region and how that impacts their culture. If you understand that, you have a leg up in knowing how to be successful and iterating with people from that culture.
5. **This one is a general question. What is the single most important lesson or skill that you have learned over your career?**

It’s probably to be honest with yourself about what you’re good at and what you’re not good at, and to seek input from your colleagues on how you can improve. Sometimes your boss, sometimes your peers, and sometimes your juniors. It’s sometimes hard to do, but always bears fruit. You also have to seek it from people you trust and respect, and not just anyone.

This does two things. One is, you learn a lot. If you are open minded enough to take in the input without being defensive and judge it, that is a very powerful avenue for you to do things. The other thing it does is create a pathway for vulnerability. People think they have a bond with you and that takes the relationship to a new level. Many times, they even come to you asking you to do the same for them, and then this turns into a partnership.

The other thing goes in alignment with really just treating people with respect. Respecting them as a person, along with their culture and their history. My experience is if you respect people and treat them respectfully, even when you’re delivering bad news or something you don’t want them to hear, they respond well and confidently.

For example, when I was in London, part of my job was that I had to fire people. It was telling to me when, after I had left UBS and was looking for a job five years later, two of those people contacted me and asked if they could help. I was blown away and asked “why are you helping me?” They responded saying: “you were doing something you may not have wanted to do, but I always felt that you respected me. Now, I am at another job, and I am doing well and I love it. It turns out leaving UBS was the best thing for me. When people are not doing well it may be because it’s not the right role for them, but if you treat them right even when you’re
firing them, they’ll remember that. It blew me away, I never expected that. This was also an intangible learning experience. It matters.
Appendix 8. Interview with Navtej Nandra (former CEO, Morgan Stanley Investment Management):

Name: Navtej Nandra

Positions: former CEO, Morgan Stanley Investment Management; former President, E*Trade Financial; former Partner, Booz Allen Hamilton

Countries: India, United States

1. In what contexts is there a requirement for cross-cultural leaders today? Are there historic contexts where cross-cultural leaders were required but this is no longer the case today?

If anything cross-cultural leaders are required even more for two reasons. A significant portion of your supply and demand chains are likely to come from some country other than your own. Even in your own country, depending on where you are, your competitors are likely to be global competitors and your customer basis is likely to be influenced by global trends. So, whether you look at domestic marketplaces or the fact that your suppliers and demand might be overseas, there is no escaping the reality that you better understand how the globe works. And the world is not homogeneous, so cross-cultural issues need to be well understood as well. So I think the need is going up and not down.

Is their career lengthened compared to the avg employee?

Given the risky nature of the assignment, do companies prepare adequately?
2. As a result of your international experiences, what characteristics and mindsets do you believe you have cultivated that have helped you be successful in your career and outperform your peers? Could you provide two concrete examples?

I think we all carry conscious and subconscious biases, and the biggest thing you learn is to keep an open mind, because what may feel is obvious and correct to you in one culture is neither obvious nor correct in another culture. There are best practices you can pick up from around the world. Japan sent America total quality manufacturing (TQM). Just-in-Time manufacturing (JIT) also came from Japan. There are things you can pick up by not keeping your mind shut. There are examples of US companies failing overseas.

In my case, the biggest issue is playing arbiter between headquarters and subsidiaries overseas, because HQ brings a very strong US-oriented mindset in terms of regulation and how they see demand, and they have a bias where they assume that no one understands these issues to the same degree. The US is considered to be the world’s most developed market. But the world has changed. Companies in Southeast Asia and China are often just as competent. This is not just the case with the U.S., however, most companies tend to be home-country oriented. Therefore, subconscious bias makes the competency of other countries more difficult for local markets to accept.

3. Does your organization have structures and systems in place to develop cross-cultural leaders? Could you provide certain examples of these?

So E*Trade wasn’t global. In fact, in most companies that I worked at it was serendipity. Depending on where HQ was, no matter where you were, if you hadn't spent some early years at HQ, it was unlikely you would get the pole position. I say this with one exception in my career: Merrill Lynch when Stan O’Neill was CEO. As CEO, Stan put people from overseas who did
well into global roles, and this was the only exception I have seen: Dow Kim was Korean, Fakahany was Egyptian, then there was Simerchi.

4. **What is the single greatest experience you have had over your career, and what did it teach you about cross-cultural leadership?**

   When I came to America I applied to a job and through a series of serendipitous moments it landed on the desk of a partner of French descent. That partner, one of the guys he hung out with, was a man of Indian descent. They were both very senior guys. Because I was very clearly an immigrant trying to get a job, the French partner who was a nice guy and understood the predicament I was in, went over to the Indian fellow and asked what he thought of my application. The guy who was British-Indian said “his schooling is really good we should check him out.” This would never have happened if they weren’t cross-cultural. They also appreciated the fact that someone who didn't grow in the American system could add value to their profession.

   To put it in perspective they hired me as a junior analyst, and I made partner at Booz in slightly over 5 years and 3 months. I Was the youngest partner at the firm. So the more diverse your background, the more you’ll appreciate opportunities that others may miss, just because you have a broader experience set and so you appreciate exceptional opportunities. From their perspective I was a new and different opportunity. Fortunately for them I was an exceptional hire or it would've been embarrassing for them since at the time Booz Allen was an exceptional firm and could have its pick of talent.
5. This one is a general question. What is the single most important lesson or skill that you have learned over your career?

This is meant to be a more universal answer, but: seduction. In life, whether professional relationships or decisions that you make, you’ll be presented with a seductive choice: easy to do, pleases all the right people, and has the crowd cheering for you. 90% of the time that apparent answer may be correct. But every once in a while you have to ask yourself whether you’re being seduced or whether you’re being principled. This applies to your career, personal relationships, professional relationships, et cetera.

Recognizing whether I’m being seduced for the right or wrong reasons has been important. For example, sometime after I made Partner at 29, I got a double jump as Partner. I was doing well and could have stayed at Booz: the seductive choice. However, I realized that I did not enjoy what being a Senior Partner was about: spending a lot of time relationship building. Trust me I knew how to sell and had a damn good selling record, but when I thought about what made me happy, it became clear to me that I had to walk away. I had been consulting at that time for 7 years.

So step back every once in a while and ask yourself if the easy answer is the right answer. If you do decide otherwise, you then have to be thoughtful. Change is never easy and is usually contrary to what people want to do. Sometimes, when I work with other people, it may also be my job to help them see this important distinction that they need to make. The question you’ll have to ask in life is whether you want to be a principle-led leader or an outcome-led leader.
Appendix 9. Interview with Douglas Peterson (CEO, S&P Global)

Name: Douglas Peterson

Positions: CEO, S&P Global; former global COO, Citibank

Countries: Argentina, Uruguay, Costa Rica, Japan, United States

1. In what contexts is there a requirement for cross-cultural leaders today? Are there historic contexts where cross-cultural leaders were required but this is no longer the case today?

In the world that we are in now, the world is shrinking because of technology, social media, and also regular media - the ability to get on Netflix and watch a Bollywood movie, a movie from Argentina et cetera. For people in leadership roles, it is imperative you have not only have international and cross-cultural ability, but connect across communities: the LGBTQ+ community, the black community, the Latino community. I think a leader needs to be comfortable in very diverse environments: culturally diverse as well as diversity and inclusion. But, I also think that more people will be coming out of environments where diversity and cultural sensitivity is already part of the training. It is much less likely that someone will come out of an environment with only one background of people.

2. As a result of your international experiences, what characteristics and mindsets do you believe you have cultivated that have helped you be successful in your career and outperform your peers? Could you provide two concrete examples?

First of all, in my own career, by going overseas early starting when I was in college sophomore year, and then on my very first job out of business school going to Latin America with Citibank. You have all this ambiguity and you have to go with this situation. That sort of ambiguity was useful for me. Dealing with ambiguity is something I learn a lot from. When it
comes to cross-cultural aspects it is going into something with the view that you are going to learn and that you are going to pick up as much as you can from your experience so that you can expand your horizons. You will have more appreciation for the perspectives and experiences of the other culture.

When I went to Argentina and my Spanish was already very good, I wanted to get my Spanish up to speed so I could speak Argentine Spanish. I did that by taking Spanish classes to learn local vernacular. The locals appreciated that. Just speaking Spanish was a value proposition, but I learnt the local vernacular - the local language. People appreciated it so much that I appreciated the local language. When I went to Japan, I started trying to learn Japanese, but I did not have time to learn Japanese at my level of where I was in the company since I was CEO. It was not going to be possible the way I was spending my time.

I still told myself I had to learn the basics of introducing myself, good morning, good afternoon, going to a restaurant, so that I atleast learn enough that people see that I am respectful of their language and their culture. I explored their culture: I went to sumo wrestling contests, Mount Fuji, temples, peoples’ houses, and explored their cuisine. Demonstrating my interest in the culture which went beyond the language, and into the food and culture and religion and sport and pastimes - people respected that. It also made it easier for me to understand what people were doing on their weekends and understand their discussion of their weekends in colloquial languages and understand what their backgrounds were.

3. Does your organization have structures and systems in place to develop cross-cultural leaders? Could you provide certain examples of these?

Yes and what we have got is two aspects. One relates to, as I mentioned earlier, the culture aspects. Not in the sense of country and culture aspects but more the diversity and
inclusion aspect. We make sure our companies are trained in sensitivity and inclusion. But this is more of an American issue. Globally, it is more about gender. We have training programs and implicit programs centered around adaptability, ambiguity, and empathy. The training programs are not entirely about these but have modules on them. There are also multiple levels of leadership programs: for new managers it is “Create,” for mid-level managers we have “Elevate,” and then we have a program called “Propel” which is for those who are ready to enter the C-suite. There is culture training as part of these programs. As an example, in the last “Propel” program, one of the sessions was held in Mexico City. In addition to discussions with local managers, one of the aspects was going into the city to see museums and parks and exploring different kinds of food. Unfortunately, we had to cancel the Mumbai trip because of COVID. So, there are culture aspects to the program as well.

4. **What is the single greatest experience you have had over your career, and what did it teach you about cross-cultural leadership?**

That is a tough question. The single greatest experience I had was being CEO of Citigroup Japan. Even though being CEO of this company is also fantastic. That was an inflection point in my career where I went from a large job to a really large job. There was a large leap in complexity and responsibility in terms of the size of the scope: the number of people working for me, the size of business, the number of businesses. That itself was a big leap already, but on top of that it was in a country I had never been in: Japan. On top of that it was in a crisis. I learnt the important lessons from leading in ambiguity, resolving a systemic crisis, and doing everything in a different culture: learning about how decisions are made and how you get things done in Japan versus the United States or Latin America where I had experiences before.
5. This one is a general question. What is the single most important lesson or skill that you have learned over your career?

I am not sure if this is a skill but it is something that goes back to college and maybe before that, but it is learning how to learn and learning how important it is to always be learning. I am inclined to say the most important skill is listening but they are quite similar. Listening is a really important skill, but I would say the reason you need to listen is because you need to learn.