

## **13. The competencies of global managers in multinational corporations**

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### **Abstract**

Purpose:

Multinational corporations have become one of the most important drivers of continuous globalization and constant developments in the global economy. Doing the business globally, across borders in diversified environment they have given rise of and put an emphasis on such concepts as “global managers” and cross-cultural management. The aim of the article is to identify of the key competences of global managers in cross-cultural management of multinational corporations.

Design/methodology/approach:

The methodology for this study is a review of the relevant literature on global management competencies. The authors looked into the

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knowledge, competencies and skills of global managers in multinational environment.

Findings:

A critical analysis of the literature enabled an identification of the key competencies of successful global managers such as cultural self-awareness, intercultural communication or global mindset. It showed also the role of cross-cultural management in multicultural enterprises

Research limitations/implications:

The literature review conducted in this paper reveals the gap in the research on global managers' competencies and their impact on the performance of multinational corporations.

Original value:

The competences of global managers of multinational corporations are not studied very often; however they seem to be very important source of success of the MNCs. The literature review gives an insight to the current state of knowledge in this field required for managers working in culturally diverse teams in multinational corporations.

## Introduction

Multinational corporations have become one of the most important drivers of continuous globalization and constant developments in the global economy. They are doing business in many countries, at the crossroads of different cultures. There is a need to diagnose what type of managerial competence will effectively manage intercultural teams. Globalization also puts an emphasis on the development of skills that are universal and have a global character, regardless of culture (Lankau, 2009).

Although about 4,000 researches have been conducted, but a cross-cultural leadership theory has not been created yet. The existing theories are based mainly on Anglo-American cultures therefore they do not explain the behavior of managers in other cultures.

To fill the gaps described in the research and the creation of leadership theories that explain the cultural conditioning of leadership, Professor Robert House launched a GLOBE research project (Mączyński and Łobodziński, 2009). Based on cultural diversity studies have shown that if a company wants to be successful in other markets it must take into account the social and cultural conditions of these countries (Yüksek and Bekmeier-Feuerhahn, 2013).

Experts in international business agree that managers in order to succeed in global business will need the flexibility and appropriate

attitudes towards practices and values, which may be drastically different to those to which they are accustomed to. Being a global manager is not only about where they are managing people but how they are doing it (Javidan and House, 2001).

### **13.1. Cross-cultural management**

Nowadays as a result of globalization, mergers and acquisitions, population migration managers face the challenge of managing in a multicultural environment. Cooperation with both superiors and subordinates from different nationalities, working in new markets characterized by local conditions entails the acquisition of additional qualifications by managers that will allow them to work in multinational environment (Szaban, 2012).

Managers and leaders as well as their subordinates are part of the national communities. Therefore in order to understand their behavior, managers should know the specificities of the population, as this knowledge may be necessary to understand the methods and procedures used in the management style used in the country in question (Hofstede and Hofstede, 2007).

Quinn's studies have shown that no one management style is effective in all cultures. Only managers that have been able to play all the roles were able to manage cross-culturally (Quinn, 1991).

In the literature, the most frequent national management styles are American, European, Chinese and Japanese. Modern management theories do not take into account the different models of organizational culture of companies and the national culture of their employees. In each country, the term management means something else. Thus, the use of management style of one culture in another may be ineffective. Management theories should always be interdisciplinary (Hofstede, 1993).

Cross-cultural management discipline has been distinguished in the 80s of the twentieth century (Kostera, 1997). There are three phases of development of it. In the 80s we had the phase of cultural divergence when the differences in national cultures were highlighted, it was clear that the need was to adapt the management style to the nationality of the people with whom we work with. In the 90s, there were two new approaches. The first was the convergence of nations which meant the cultural assimilation as a result of globalization, which resulted in the emergence of the global manager that regardless of the culture from which it derives may represent a set of convergent traits.

At the same time, another approach emerged which promoted cultural diversity and stated that management should be adapted to local conditions, and should learn from other cultures. Currently, the dominant approach is the “combined approach” which reconciles the cultural convergence of divergence (Jakob, 2003). Trompenaars’ studies have shown that if something works in one culture, there is a small chance that it will work well in another (Trompenaars, 1993).

The definition of cross-cultural management presented by W. Burggraaf: “Cross-cultural Management is a link between knowledge, experience and skills necessary to act appropriately in the context of national and regional cultures, taking into account the differences among cultures, at all levels of the organization and across organizations”. Nancy Adler (2008) writes that cross-cultural management explains human behavior in organizations around the world and shows people how to work with colleagues and clients from many populations of different cultures.

Cross-cultural management is applied in multinational companies in order to solve problems rising between members of organization in both internal and external environment. Cross-cultural management is a new type of management that takes into account the cultural differences between staff in management in general, with a view to improve communication in the company and in its international exchanges (Greblikaite and Daugeliene, 2010).

The main cross-cultural problems of multinational companies are (Thomas, 2008):

- Culture – in business appropriate management of culture is essential.
- Management systems which differ depending on company size, activity, tasks.
- Work standards that vary depending on country.
- Practices in business differs among companies, cultures and countries.
- Implementation of ethics in business is difficult and a complex process.

Cross-cultural management’s role is to fight these cross-cultural barriers or move them. Other important role of cross-cultural management is to avoid the formation of such barriers in multinational companies (Thomas, 2008).

Due to increasing globalization processes global managers face an environment that is more and more complex, dynamic, uncertain and competitive than ever before. The influence of culture on management can be most difficult to deal with because culture has a broad influence on behavior and on other environmental factors. It is very important

to employ global managers having competences that will help them manage effectively in culturally diversified environment.

### **13.2. Key competencies of global managers**

As a starting point, a global manager is defined as someone who works with or through people across national boundaries to accomplish global corporate objectives (Steers et al., 2010). Managers wishing to manage effectively in a multicultural environment, above all, should be aware of existing cultural differences and thus, both the benefits and barriers that can arise from them. According to the research organizations strive for diversity as they see it as their competitive advantage through innovation and the creativity of their employees. Therefore, the manager managing such a group should be able to take advantage of the variety of the team to develop innovative, unconventional solutions that will contribute to the success of the team and organizations (Bateman and Snell, 2012). The diversity may result from the cultural differences. In order to learn from the diversity manager should realize these differences and understand their background (Hofstede and Hofstede, 2007).

Some managers do not realize the significance of cultural differences and ignore them. A starting point is to gain a competence of cultural self-awareness. It is an understanding of the influence of one's own cultural conditioning. An appreciation of one's own cultural beliefs, values, assumptions is a prerequisite for an appreciation of other cultures (Adler, 2002; Cant, 2004; Sokuvitz and George, 2003; Moran and Riesenberger, 1994).

Very often managers, who have already succeeded in one environment are elected to carry out international projects, based on their experience, intuition and values assuming that they will be able to do the same thing in another culture or multicultural environment. However, it is not enough to work in an international environment, they must possess intercultural competence (Zarzu, 2013).

Steers suggests that effective global management is the integration of managerial skills with additional multicultural or cross-cultural competencies which allow people to use their managerial skills across a diverse environment. Intercultural competence is a profound understanding of how companies and management practices differ across cultures. This differentiates the successful from the less successful global managers (Steers et al., 2010).



### Figure 13.1. Global management skills by Steers et al.

**Source:** Steers R. M., Sanchez-Runde C. J., Nardon L. (2010), *Management Across Cultures. Challenges and Strategies*, Cambridge University Press, New York, p. 37.

Intercultural competence can be defined as the ability to understand intercultural situations and the ability to adapt to it (Has, 2012). The process of acquiring these competencies should consist of such steps as the understanding of own culture, understanding the norms and values of other cultures, coping with diversity, a willingness to tolerate diversity, avoiding ethnocentrism, a preparedness to work and cooperate in a heterogeneous environment and the last step but not least the development of empathy (Zarzu, 2013). Intercultural competence is also a behavioral skills, affectivity, charisma, ability to cope with uncertainty and fears. Managers with such competences will perform better in the market than those who do not have them (Has, 2012). The need for an intercultural competence is noticed mainly among managers who aspire to the highest managerial positions in multinational corporations (Zarzu, 2013).

Intercultural competencies for global managers by Harris (Harris et al., 2004):

- A cosmopolitan outlook – Successful global managers are sufficiently flexible to manage well across divergent cultural environments. They understand the contradictions, dualities, paradoxes specific for the global business environment.
- Intercultural communication skills – Successful global managers should understand at least one foreign language. Additionally they should understand and appreciate the complexities of dealing with people from other cultures. They know how to listen as well as talk. They are able to both interpret the context of messages and the content.
- Cultural sensitivity – Successful global managers appreciate cultural diversity. They build relationships with culturally diverse people by using their experiences in different national, regional, and organizational cultures. Relationship building is critical.

- Rapid acculturation skills – Successful global managers adjust quickly to different surroundings. They understand the risks of insular thinking and action. They seek help when needed.
- A flexible management style – Successful global managers understand how national cultures affect the management process.
- Cultural synergy – Successful global managers know how to build cross-cultural teams. They capitalize on cultural diversity and understand the importance of building and using global networks.

One of the most comprehensive studies on intercultural leadership was carried out in the framework of the project GLOBE research. Leadership is defined as a person's ability to influence, motivate and enable others to contribute to the effectiveness and success of the organization of which they are members.

Studies indicate attributes of managers that were prototypes of the leaders in 62 different cultures, such as charisma, ability to communicate vision and willingness to change. According to the GLOBE research other universal leadership positive qualities include to be a trustworthy, just, honest, foresight, plans ahead, inspiring, with a vision, to be encouraging to action, positive, dynamic, a motive arouser, a confidence builder, motivational, dependable, intelligent, decisive, effective bargainer, win-win problem solver, administratively skilled, communicative, informed, coordinator, team builder, excellence oriented. Studies have also shown that there are many attributes of managers that are specific to a given culture<sup>1</sup> (Dickson et al., 2012).

The GLOBE research has also identified universal negative leader attributes such as loner, asocial, noncooperative, irritable, nonexplicit, egocentric, ruthless and dictatorial.

Cultural acumen is an essential element for success in the management of people from different cultures, managers will need knowledge of the similarities and differences between cultures. They must also be aware of the consequences of existing differences and the ability to act and decide accordingly in a culturally sensitive way (Javidan and House, 2001).

A global mindset includes specific knowledge, skills and abilities that are essential in managing in multinational companies. It is also the capability to influence others unlike yourself (Javidan and Walker, 2012). Global mindset refers to one's ability of thinking on the global scale (Mohamed, 2012). In the beginning the global mindset was conducted by at the individual level. Recently research on global mindsets has been considered by top management teams (Bouquet, 2005; Levy, 2005). The construct of

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1 Similar tests were also conducted Den Hartog (1999), Dorfman (1997).

Global Mindset<sup>2</sup> consists of three major dimensions: Intellectual Capital, Psychological Capital and Social Capital (Javidan and Walker, 2012).

Intellectual Capital consists of (Javidan and Walker, 2012):

1. Global Business Savvy: Knowledge of the way world business works
  - Knowledge of global industry,
  - Knowledge of global competitive business and marketing strategies,
  - Knowledge of how to transact business and manage risk in other countries,
  - Knowledge of supplier options in other parts of the world.
2. A cosmopolitan Outlook: Understanding that the manager's home country is not the center of the universe
  - Knowledge of cultures in different parts of the world,
  - Knowledge of geography, history and important persons of several countries,
  - Knowledge of economic and political issues, concerns, hot topics, etc., of major regions of the world,
  - Up-to-date knowledge of important world events.
3. Cognitive Complexity: Global is just more complicated than domestic-only.

Psychological Capital consists of (Javidan and Walker, 2012):

1. Passion for diversity: Do not just tolerate or appreciate diversity, but thrive on it
  - Interest in exploring other parts of the world,
  - Interest in getting to know people from other parts of the world,
  - Interest in living in another country,
  - Interest in variety.
2. Quest for Adventure: The Marco Polos of the world
  - Interest in dealing with challenging situations,
  - Willingness to take risk,
  - Willingness to test one's abilities,
  - Interest in dealing with unpredictable situations.
3. Self-Assurance: The source of psychological resilience and coping
  - Energetic,
  - Self-confident,
  - Comfortable in uncomfortable situations,
  - Witty in tough situations.

Social Capital (SC) – the behavioral aspect of Global Mindset consists of three building blocks (Javidan and Walker, 2012):

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<sup>2</sup> Construct prepared by Global Mindset Project (GMP) started in late 2004 at the Thunderbird School of Global Management.

1. Intercultural Empathy: Display “global” emotional intelligence
  - Ability to work well with people from other parts of the world,
  - Ability to understand nonverbal expressions of people from other cultures,
  - Ability to emotionally connect to people from other cultures,
  - Ability to engage people from other parts of the world to work together.
2. Interpersonal Impact: Difference maker; seldom ignored across boundaries
  - Experience in negotiating contracts in other cultures,
  - Strong networks with people from other cultures and with influential people,
  - Reputation as a leader,
  - Credibility.
3. Diplomacy: Seeks first to understand, then to be understood
  - Ease of starting a conversation with a stranger,
  - Ability to integrate diverse perspectives,
  - Ability to listen to what others have to say,
  - Willingness to collaborate.

Global mindset emerged as a key competitive advantage for multinational corporations competing globally (Levy et al., 2007; Begley and Boyd, 2003). Additionally, the global mindset of global managers is considered as a main source of a long-term competitive advantage (Gupta et al., 2008; Levy et al., 2007; Begley and Boyd, 2003; Jeannet, 2000; Paul, 2000; Murtha et al., 1998; Rhinesmith, 1996, 1995; Bartlett and Ghoshal, 1989). In consequence multinational corporations need a huge number of managers with a global mindset so that they can handle the increasing diversity not only globally but also locally (Javidan and Bowen, 2013; Wiseman, 2012).

A widely described feature of a global manager is the intercultural communication. Ability to communicate with different cultures through awareness of diversity, by gaining knowledge about the values and symbols of other cultures and the ability to use them. It is a skill that can be learned (Hofstede and Hofstede, 2007).

Level of spoken language by members of intercultural teams is not without significance. Different degrees of proficiency and communicative competence can lead to obstacles to effective team building and cooperation. Good knowledge is not always enough, it is also needed to build a good relationship and common understanding so called Rapport (Cohen and Kassis-Henderson, 2012). The level of language proficiency is important but not sufficient, as culture is not only the language, but also the values, beliefs, norms. Intercultural communication does not mean

that the whole group should adopt the same language or the same values but rather a common understanding, acceptance of the culture of each member of the group and the ability to learn from diversity (Zarzu, 2013). Effective communication consists of listening skills, the ability to transfer information in a manner understandable to the recipient, and the ability to give and receive feedback (Javidan and House, 2001). The GLOBE study results are an interesting clue how to conduct an effective intercultural communication. A manager knowing the levels of the cultural dimensions for the country, knows what to expect and how to deal with people from different cultures in multinational corporations.

An important aspect of management in the international environment is the way the manager delegate tasks, makes decisions, discusses the problems and give feedback. So all these things add up to communication behavior. It has been distinguished task-oriented approach and relationship-oriented approach, characterized by empathy and respect towards the employee. The way of communication is particularly important in the management of intercultural teams, as the problems arising from difficulties in intercultural communication can cause high costs (Zhao and Parks, 1995).

According to a study by Ruben and Kealey (1976, 1979, 1989) and by Kiechel (1994), Kim (1989), Zhao and Ober (1991) emerged the following dimensions of communication competencies that are predictors of success in intercultural management:

- Adaptation – the ability to learn and adapt and behave in accordance with the standards and practices of the community in which we work,
- Showing respect – in many ways through eye contact, posture, showing an interest,
- Empathy – the ability to understand the situation and feelings of the other person by giving and receiving feedback,
- Interaction Management – the ability to negotiate, conduct meetings, communicate decisions,
- Interaction posture – the ability to respond in a descriptive and not judgmental way,
- Orientation to knowledge – flexibility with which explains things to different people in different situations in order to achieve the same results,
- Role behavior – ability to perform both roles aimed at maintaining relationships and roles focused on the task realization and the ability to avoid self-centered attitude.

Another competence of the global manager is the flexibility, which should manifest itself in the ability to adapt management style to the conditions other than domestic. In order to make good decisions and

properly evaluate situations and causes of behavior and way of thinking of individual employees a manager should also have the patience (Szaban, 2012).

According to the research of Snell and Batemann the most desired features of global managers working in the cross-cultural environment are:

- Sensitivity to other cultures, the ability to understand them,
- A good understanding of the business, which they lead,
- Courage in making difficult decisions,
- Ability to extract from the employees what their best,
- Trustworthiness,
- Orientation to the organization's success,
- The ability to take risks,
- The ability to learn new and learn from others,
- Ability to use information from subordinates,
- Taking challenges despite working in unknown conditions,
- Openness to criticism,
- Acting and thinking in a flexible way.

Global baseline competencies	Global skills and knowledge capabilities	Global mindset
Catalytic learning capacity	Ability to lead multicultural teams	Comfort with cultural complexity and its contradictions
Sense of adventure	Sophisticated networking competence	Opportunity sensing for the uncertainty of global markets
Entrepreneurial spirit	Cultural literacy	Systems thinking in global contexts
Sensitivity and responsiveness to cultural differences	Context-specific leadership capabilities	Extended time perspective

**Table 13.1.** Global leadership capabilities by Conger and O'Neil

Source: Conger J.A., O'Neil C. (2012), *Building the bench for global leadership*, "People & Strategy", No. 35(2), p. 52–57.

## Conclusion

Competencies, traits, skills that a good manager should possess, vary from culture to culture. There are various prototypes of successful managers. Studies show that a factor such as culture has an impact on the perception of leadership behavior and attributes that are considered effective (Lankau and Chung, 2009).

Studies show that the characteristics of a good leader vary depending on the culture from which the respondents come from. In one culture one characteristic may be seen as an advantage for others it can be a disadvantage, and vice versa. This results from the study J. Schramm-Nielsen, E. Jackofsky, J. Slocum, I. Tollgerdt-Andersson. Leadership style appropriate for one cultural group may not be motivating and relevant to the group with a different programming of the mind (Hofstede and Hofstede, 2007). So there is no one style of management that can be applied to all cultures.

However, a critical analysis of literature has enabled the authors to identify the key intercultural competencies of successful global managers such as cultural self-awareness, intercultural communication or a global mindset.

Today, many companies carry out training to sensitize managers to cultural diversity. The competences of global managers of multinational corporations seem to be a very important source of success of the MNCs.

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