

# Culture Clash – Leading Across Borders

Does a global leadership style exist, that multinationals can apply effectively across borders and cultures? Energy firms operate across multiple regions, and often struggle with leadership issues – how much is this due to the culture of the industry and how much to the culture of the local community? In this paper we will examine some of the challenges of cross-border leadership, with specific reference to the Middle East and West Africa.

Our recent pieces on leadership have focused on soft skills, and the different styles of leadership, as described by Daniel Goleman – or as a spectrum from Command & Control to Servant-Leadership. Some readers and clients have challenged this, arguing that in many markets, hard skills matter more, and in particular that “Servant Leadership” is inappropriate for the local culture. Is this right, or does a universal style of leadership exist that firms can apply everywhere?

A disclaimer: inevitably, a short paper cannot hope to cover all the aspects of a major topic such as this, and we will no doubt be guilty of generalisations and omissions. But our aim is to highlight the importance of recognising cultural differences and provide a checklist for HR managers, country heads and corporate leaders to consider when leading teams across borders.

## Executive Summary

- Importance of soft skills – listen to understand
- Recognise different cultures have different attitudes towards authority
- Economic factors influence effectiveness of leadership styles
- Leaders cannot succeed without creating Trust – the CREST model
- Corporate culture needs to adapt to local customs but retain core values

*This is one of a series of WBC papers on the topic of Leadership in the energy sector. The issues raised in these papers are covered in detail in our 3-Day Leadership in Energy programme, delivered by Yanos Michopoulos, a course designed to help managers make the transition from functional operations to corporate leadership. With case studies and examples from across the energy sector, including renewables, it's ideal for anyone looking to move into a senior leadership position.*

*Next programme: London, June 26<sup>th</sup>-28<sup>th</sup>*

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## Soft Skills and Leadership Styles



First, let’s make a distinction between soft skills and leadership styles. Soft skills, (or emotional intelligence, EQ) are a set of behaviours that can be applied in any leadership style: as Yanos Michopoulos, who runs our Leadership programmes, states, they are distinct from the “hard skills” with which we start our career – the engineering, accounting, geoscience qualifications – and tend to be developed over time with experience as well as training.

Leadership styles refer to the way leaders act towards their followers – where they are on the spectrum from “Command & Control” to “Servant-Leader”. Or to put it another way, which of the Goleman 6 styles do they apply?



Source Daniel Goleman

Few would argue that any single style is always better than another. In fact, situational leadership theory dictates that great leaders adapt their style according to the situation (including the needs of their followers).

That said, there’s no doubt that the current fashion in leadership debate is more closely aligned to Servant-Leader than Command & Control. Perhaps this reflects the fact that so much leadership theory is developed in Western multinationals where a culture of individualism (see below) dominates, especially among Millennials. Does it follow, then, that Servant-Leader is suitable for western multinationals and Command & Control is better in emerging markets? This is too simplistic, and overlooks the nuances in culture between regions, countries, industries and even companies.

### Culture Matters

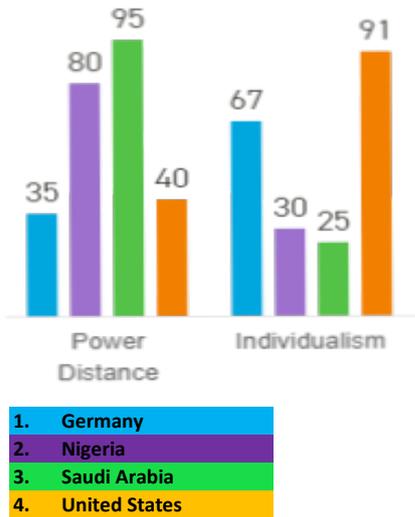
To understand these nuances, we need to look more closely at the prevailing culture in the country (or at least region). This is a huge topic on which a lot of work has been done, especially by Geert Hofstede in the 1980s. While times have changed, much of what he wrote on cultural alignment still applies, and a couple of points are relevant to this debate.

**Power Distance:** In some countries, society accepts power is unequally distributed (High Power Distance). Typically, staff in these countries won’t question their leaders and will simply await and implement instructions (and may be uncomfortable being asked to take the initiative) – they accept more of the Command & Control approach. In other countries, society demands more equal power distribution (Low Power distance); staff in these countries are more likely to challenge their corporate leaders and expect to be consulted or even to make their own decisions.

**Individualism vs Collectivism** – this relates to how much the individual is self-reliant and independent rather than being part of, and utterly loyal, to a group, that in return looks after him or

her. In the workplace this translates into autonomy and personal responsibility versus centralised control.

In the oil industry, where country managers are often brought in by IOCs from outside, this can have profound implications for the way they lead their teams and partners.



As a broad generalisation, Western countries tend towards low power distance and high individualism, though as the chart shows, there can be marked differences between countries such as Germany and the US on individualism. In the Middle East and much of Africa, the preference is for high power distance and low individualism. Some markets in Asia tend towards lower power distance and collectivism, others are more hierarchical but still collectivist.

Source: Hofstede Insights

### What does this mean for leadership styles?

This would indeed suggest that in highly developed Western markets, with the emphasis on low power distance and individualism, the “Servant-Leader” style is more appropriate – coordinating, supporting and inspiring self-confident individuals to achieve a common goal. In contrast, in markets like Nigeria or Saudi Arabia, according to this theory, “Command & Control” should apply.

But it’s not that simple.

Professor Randall Peterson of London Business School has done extensive work on this issue, building on Hofstede’s research. He points out that in the Middle East, while leaders decide and followers implement, it is equally incumbent on the leader to consult widely before deciding. It’s top down authority, but there is a cultural (religious and moral) obligation to consult before deciding.

*In the Middle East, despite “high power distance”, leaders are expected to consult widely before taking a decision*

In addition, despite the image of a closed hierarchical society, leaders in the Middle East tend to have an open-door policy, where successful leadership relies on relationships built on trust (see below).

In Nigeria, a recent paper on Leadership in the local Oil & Gas sector highlights the link between job satisfaction and management understanding of workers’ needs. In other words, “Command & Control” works but only if the leader has taken time to understand what their followers want or need. And again, as in the Middle East, relationships built over time play a major role – more so, perhaps, than in Western markets.

In both these examples, therefore, the “Command & Control” leadership style has to be underpinned by other behaviours in order to be successful: in the Arab world, prior consultation with staff, and in West Africa, understanding local needs (which may or may not involve consultation: according to the paper, in some cultures consultation may be seen as a sign of weakness, that the leader does not know what to do).

One of the key roles of a leader is to represent the company in negotiations and deal-making: here again, different nationalities take a different approach that is driven by underlying cultural factors. Westerners (esp. Americans) believe in the sanctity of the contracts. The deal is done only when the contract is signed and if there is an issue then you refer to the contract. Everything that comes before is irrelevant. In Japan, on the other hand, it’s the earlier MoU/LoI that drives everything. And in the Middle East, the contract signals the start of the negotiation, not the end. What matters is how the relationship develops after the contract is signed – you can expect a continuing series of mini negotiations.

The common theme here is Trust.

## The role of Trust

“Trust is the number one requirement to build and maintain strong multicultural relationships. Without it, nothing else can flourish” says course director Yanos Michopoulos, writing for the Governance Institute. This cannot be done with titles and qualifications alone.

For example, a drilling manager in Nigeria is unlikely to be impressed by, or to trust, a new regional head with an MBA from Houston and a dozen finance qualifications: it’s the willingness to understand the local culture and market, and respond to their needs, that will create the trust.

We believe there are five components to creating trust as a leader – the CREST model:



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## Economic factors driving leadership style

In addition to cultural differences, variations in market development will influence leadership styles. The state of the economy, the educational level of the workforce, local business performance, will all be factors in identifying an effective leadership style. A struggling business may need a pacesetting approach to inject some energy into turning the business around. A dynamic market with a young but enthusiastic workforce might respond better to coaching than directive – especially if the economy means plenty of other opportunities are available for dissatisfied staff.

Moving between mature and start-up markets can be a challenge for leaders. In mature markets, they can take a lot for granted – the strength of their brand, their reputation, the efficiency of their processes – the risk is in being complacent. In new markets, nothing can be taken for granted,

- **Credibility:** having the experience and qualifications (hard skills) to be credible when making decisions. In the E&P world, this may mean time out in the fields or on the rigs, in some of the harsher environments where oil is found.
- **Reliability:** a cornerstone of trust in any relationship – doing what you say you will do; your behaviours aligned with values, your actions matching words.
- **Empathy:** understanding what your followers want and need. This includes understanding the local culture.
- **Safety:** creating a safe working environment – not just physical safety, vital as that is in oil and gas, but also emotional safety, an environment where questions can be asked and support provided.
- **Time:** trust cannot be earned overnight – it takes time, effort, and consistency in behaviours.

Empathy is perhaps the hardest of these for the global leader. The heads of multinational firms lead very different lives from perhaps 90% of their workforce, and no one would argue that they should try to empathise personally with thousands of workers around the world. But they can listen, and they can try to understand what matters to their staff and what motivates them – as Stephen Covey observed, most of us listen with the intent to reply, when we should listen with the intent to understand. And they can encourage local managers, to create a corporate wide culture of building trust across the organisation.

*Empathy is perhaps the hardest of these for the global leader. They must “Listen with the intent to understand”, not just to reply*

Distance is the enemy of trust. If empathy is hard, it’s partly because global leaders, by the nature of their job, are at a distance from their followers.

## Corporate Culture

National or regional culture is one issue. But every industry, and every company, has its own culture which in turn shapes its leadership style. And even within a company there will be sub-cultures between functions. Some may be highly dynamic, willing to take risks and move fast, with flexible approaches to working in different markets; others – particularly large firms – may be more cautious, keeping strict control of risks, insisting on common procedures around the world. Each has its advantages and disadvantages but too rigid adherence to Head Office culture can risk a clash with local culture.

As Yanos Michopoulos points out, there are some “red lines”:

“Compliance with industry safety standards and local legal requirements should be non-negotiable. It is also of paramount importance to ensure the morality and values of the company are maintained in different cultural environments”

*Management processes, such as annual appraisals, can be another source of cultural confusion*

Management processes are another area for potential culture clash within an organisation. Yanos recommends some flexibility in this area: “Functional guidelines should be flexible to suit local market conditions”, citing the example of a European energy firm that mandated public transport in its home country but accepted the need for cars with a driver in certain emerging markets for both cultural (status) and practical (traffic) reasons.

Or take the “Annual Appraisal”: in the US, the strong sense of individualism and self confidence leads to staff scoring themselves very highly for their contribution: in Japan, the sense of collectivism leads to more modest self appraisals. Without understanding the difference, a leader might assume the Japanese was underperforming compared to the US team.

Achieving the right balance between the central corporate culture and local culture is a challenge for leaders. Too much central control and you alienate local staff; too little, and you risk fragmenting the business into detached silos that don’t collaborate.

**Communications**

No piece on cross-border leadership is complete without a word on communication. English may be the common language but what people – in particular the British – say, what they mean, and what people understand, can be very different. Again, culture plays a role: some are very direct in their communications, others more “roundabout”. To the latter, “direct” may come across as rude or aggressive – even scary. Those who prefer a direct approach may find the alternatives confusing or difficult.

In the search for clarity in communications – an essential element of leadership – many global companies favour the direct approach: but this should not stop leaders adapting their tone of voice and style to the local culture wherever possible.

Leaders also need to be aware that even the most innocent casual remark may be taken seriously and often misinterpreted. Some may have relatively benign unintended consequences. Others can result in corporate and personal meltdown. While making a corporate apology for Deepwater Horizon, BP’s Tony Hayward said “I’d like my life back”: his intention might have been to empathise (“I share your suffering”) but the result was to make the apology all about him and his life, not the community his firm had damaged so badly.

**IOCs vs NOCs**

In the upstream business, it’s worth noting the likely differences in culture between IOCs and NOCs. Given their different priorities (see below), it’s no surprise that they may find a clash of cultures in their approach to joint ventures, and this will call for considerable diplomatic skills on the part of leaders running the JV. Of course, both are interested in financial success and health and safety issues – but often for different underlying reasons.

<b>Different priorities: IOCs and NOCs</b>	
<b>IOCs</b>	<b>NOCs</b>
Profits	Tax revenues
Shareholder Return	Economic Development
Reserves Replacement	Local Employment
Production	Social Justice
HSE Targets	Technology Transfer
Cost Control	Environmental Concerns

Oil as a natural and national resource has tremendous political and cultural significance. In Mexico, for example, the constitution stipulates that all natural resources are the property of the nation, giving an added responsibility to Pemex as the country’s leading business.

## Conclusion

A Global Leadership style does not exist. Goleman's 6 styles are as good a basis as any, and successful leaders will adapt and combine them to meet the needs and expectations of their followers in each market. An approach that works well in one market may fail in another for cultural or economic reasons.

It is clear however, that there is a universal theme: that Leaders must be able to create Trust, and that means the application of soft skills.

- Take time to learn about the local culture and what staff expect of their leaders
- Listen to understand and empathise
- Communicate clearly and in a way that is suitable for your audience
- Understand the different commercial, personal and political priorities of local partners and colleagues

Very few individuals can be highly effective at all of Goleman's 6 styles, or at both ends of the Command/Control vs Servant-Leader spectrum. This presents a challenge for HR and L&D departments as they try to develop leaders who can be effective in multiple countries by equipping them with a small but global set of competencies.

Rather than trying to develop a one-size-fits-all cadre of leaders, they would be better off developing a group with specific but different strengths.

Combined, these strengths will cover the demands and expectations of the various regions and cultures the business operates in. And as a group of individuals that understands and respects each other's diversity of approach, they will be able to create the right corporate culture across the organisation.

### *A final word from Professor Peterson:*

*"People operating in the East and West can learn from each other. People in the West aren't expected to think the same as each other. Perhaps the biggest lesson here is finding order among chaos. Yet people in the East understand the importance of coordination and collective action. Their biggest lesson centres on finding strength in diversity."*

*"When leading a multicultural team made up of members from the US, China, the Middle East and beyond, you have the potential to bring out the best of all worlds. For the best results, foster a growth mindset, where misunderstanding is an opportunity for learning, not for assigning blame."*

### References:

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