LEADING ACROSS NEW BORDERS

HOW TO SUCCEED AS THE CENTER SHIFTS

WILEY
Praise for

Leading Across New Borders: How to Succeed as the Center Shifts

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“Leapfrogging technology, innovation, and boundary blurring are dramatically changing leadership. Workers must collaborate and compete across continents to be relevant. Leading Across New Borders positions you to succeed in a world where the former infrastructure requirements dissolve and in their place is a mandate to leverage multiple centers of influence from deep inside individuals with varied experiences.”

—Erin S. Gore, Executive Vice President, Wells Fargo

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—Shrimathi Shivashankar, Associate Vice President, Diversity and Sustainability, HCL Technologies

“This reading gave me a renewed appreciation for the impact of global forces shifting between fast- and slow-growing economies on leadership values. It is a great reminder of how nuanced global leaders must be to succeed, leveraging cross-cultural astuteness and critical thinking at the same time. Out with binary thinking and on with ever-evolving algorithms!”

—Caroline Visconti, Vice President-Talent Development, L’Oreal

“Leading Across New Borders goes well beyond identifying global leadership competencies to help practitioners and scholars understand what global leaders actually do. The fascinating stories about global leaders in action, drawn from the authors’ extensive consulting work, are complemented with useful research findings. This is a must-read book for global leaders, full of insights and practical tips.”

—Joyce Osland, Ph.D., Lucas Endowed Professor of Global Leadership, Executive Director, Global Leadership Advancement Center, School of Global Innovation & Leadership, Lucas College and Graduate School of Business, San Jose State University, and co-author, Advances in Global Leadership
“If you are weary of endless empty references to the global village and wish someone would provide useful, practical insights, you will find that this powerful guide to our future fills that gap. Based on a thorough analysis of world commerce and culture, the seasoned authors and consultants provide us with a fresh view on leadership in times of global transition. They bring an incisive focus to the specific tasks that capable leaders must master to thrive among the rapidly emerging economies and to lead their organizations to cross-border success.”

— Janet Bennet, Executive Director, Intercultural Communication Institute, and author, Intercultural Competence: Vital Perspectives for Diversity and Inclusion

“This book presents a fascinating and invaluable integration of rapidly changing global business trends and the evolving leadership competencies needed to make sense of them. Leading Across New Borders provides a culturally competent look at new world effectiveness.”

— Ray Leki, Adjunct Professor, American University, School of International Service; former U.S. Peace Corps Acting Country Director, Pakistan; author, Travel Wise: How to Be Safe, Savvy and Secure Abroad

“This book articulates what the shifting global economy means for each of us and how we can respond, whether you’re part of the private sector or non-profit. I would encourage this to be required reading for those operating in any global environment.”

— Susan Ridge, Vice President, Marketing and Communications, Save the Children USA

“Leading Across Borders articulates the critical vectors of the ‘new normal’ in leading and operating globally. Excellent input for awareness and action beyond conventional thinking.”

— Eva Boesze, Head of Global Human Resources, KraussMaffei Group
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How to Succeed as the Center Shifts

ERNEST GUNDLING
CHRISTIE CALDWELL
KAREN CVITKOVICH

WILEY
Dedication from Ernest Gundling
With love to my wonderful wife Kacey
for her encouragement and inspiration,
and to my warmhearted and good-humored family,
especially Anne, Chris, Katherine, Theo, Gabe, and Emma!

Dedication from Karen Cvitkovich
To my children, Matt and Sorine—I am thrilled
that you share my love of global adventure!—and to David and the
rest of my family, who support me in
so many ways. You help me to cross
borders every day.

Dedication from Christie Caldwell
To Johnny Xiong, whose conversations,
stories, insights, humor, and perspective
inspired this author and many aspects of this book.
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The Shifting Center: Emerging Markets Have Emerged

What Is Changing and Why This Matters

THE FUTURE ARRIVES

The world’s economic center is shifting with breathtaking rapidity. The trends are clear, both in the numbers and in the new realities on the ground; the general direction is from west to east and from north to south. This shift in power and influence is not only economic but also demographic, political, and cultural.

China and India

China recently passed the United States to become the world’s largest economy defined in terms of gross domestic product (GDP) purchasing power parity. Although this news created only a small blip in the Western business press, it represented a historic milestone that is likely to be followed soon by other landmark events. Calculations based on market exchange rates—a more common yardstick of
GDP—indicate that China will surpass the United States to become the world’s undisputed economic leader by 2030.

India is also expanding rapidly; current estimates indicate that by 2050, China, the United States, and India will be the top three economies in the world.1 While China and India still have many rural and comparatively unaltered areas within their borders, their growing industrial and technological prowess as well as their higher ranking among the world’s economies signify that they have officially graduated from “emerging” to “emerged.”

Europe’s relative economic position is changing simultaneously. Membership in the Group of Seven (G7), an economic forum originally founded in the 1970s by the world’s most industrialized countries, provides a symbolic example. Original G7 members from Europe included France, West Germany, Italy, and the United Kingdom. If the same organization were to be recreated in 2050, it would probably include no European member nations. According to current projections, there will not be a single European country whose economy is among the world’s top seven by that time.2 In order to offer Europe G7 entry, it would be necessary to combine two or three countries, or perhaps all of Europe.

Humanity has witnessed these kinds of changes before. China and India previously dominated the global economy for centuries. China, for example, created revolutionary innovations such as gunpowder and printing that were later exported to Europe while supplying the Silk Road and far-reaching maritime trade routes with precious goods. Each country has approximately four times the population of the United States and more than double the number of people in Europe as a whole. Nonetheless, the ongoing recasting of global positions represents a tectonic shift in the modern economic order and is in part a transition back to the future (see Sidebar 1.1).

**Personal Consequences**

The world’s shifting economic center has vast implications for almost everyone, particularly those who have been at the top and at the bottom of the global economic order. During the past century, U.S. and European leadership and business models largely dominated multinational corporate cultures. The economic shift toward markets such as China and India means that these countries and their leaders will increasingly shape the way business is conducted.

New leaders from Asia and elsewhere will need to consider their own core values and vision for the future and how they can inspire their global colleagues. Beyond material success, what will make their careers fulfilling and worthwhile? If current or aspiring leaders from Europe and North America go on with business as usual—assuming
The Shifting World Center: China

- China’s current population of 1.4 billion exceeds the entire U.S. population of approximately 320 million by well over 1 billion, and comprises almost 20 percent of the people on earth.
- There are over 160 cities in China with a population over 1 million people. In the United States, there are just nine cities that exceed 1 million.³
- China’s steel industry production is now more than 8 times larger than that of the United States; the production of its state-owned mills equals the combined production of the rest of the world.⁴
- China reportedly used more cement in a recent three-year period than the United States used during the entire twentieth century.⁵
- The volume of trade between China and Africa has increased by more than 20 times since the year 2000; more than 1 million Chinese are currently living and working in Africa.⁷
- China consumed 155 million cases of red wine last year, more than France’s 150 million and Italy’s 141 million.⁸
- China is by far the world’s largest producer and consumer of coal, accounting for 46 percent of global coal production and 49 percent of global coal consumption—almost as much as the rest of the world combined.⁹

The Shifting World Center: India

- India’s population will eventually exceed China’s due to its higher birth rate, reaching an estimated total of 1.6 billion within 30 years.¹⁰
- If the Indian state of Uttar Pradesh were to declare independence, it would be the fifth most populous country in the world, with over 200 million people.¹¹
- India will soon have one-fifth of the world’s working-age population and the number of people in the country who are working age will rise by more than 200 million over the next 20 years while China’s working-age population declines.¹²
- India, which is still more rural than China, is now in the midst of what is likely to be the largest rural-urban migration of the twenty-first century, with some 10 million people moving to towns and cities each year.¹³
- India is already the fourth-largest consumer and net importer of crude oil and petroleum products in the world after the United States, China, and Japan.¹⁴
- India’s GDP, too, is projected to overtake that of the United States and become the world’s second largest economy by 2050 in terms of purchasing power parity, though not using GDP at market exchange rates.¹⁵

that their privileged position will last forever—they risk looking like human ostriches, heads buried in the sand to avoid the speeding freight train of globalization. Rather, they must embrace the planet’s inexorable tilt toward rising economies and learn how to succeed together with employees from around the world who want to be treated as full partners. Sometimes the consequences are very personal, and one’s career can take an unexpected turn.
Promotion Postponed

Ingrid speaks in quick spurts over the phone from her office in London, where she has just returned after three years in India. She is Swedish, but started her career with a company in New York and then moved to London, so her accent is hard to place. Ingrid is in her mid-30s, works for one of the world’s most famous banks, and saw the opportunity to move to Bangalore and gain international experience as critical for her career.

Ingrid comments, “I had just completed my first year in Bangalore and had a perfect performance rating. I was on the list to get VP, but then, three days before the promotion lists were finalized, I was pulled off the list and no one could tell me why.

“This really impacted my engagement. There were so many times when I just wanted to leave, especially during my third year in Bangalore. To be honest, I called my contacts in London and said that they needed to find me a position back in the U.K. or I was going to look at other opportunities.

“I realize now that there were a lot of things going on under the surface that no one talked about. The plan when we originally went into India was to outsource business processes to cut costs, and it was cheaper initially. Then we started to move India from an outsourcing center into a more strategic role, with business and revenue driven out of the Bangalore office. It is now its own entity, and the bank just celebrated 10 years in India. The goal of this more strategic positioning was to gain better access to India’s talent pool. While the initial objective was to employ cheap talent, people are actually paid very well now—even by the bank’s London standards.

“Part of the reason I was passed up for promotion was about wanting to build a local leadership model in India, as a retention strategy and as part of a broader global strategy generally. Because my contract in India was three years, the company had at least another year to convince me to stay. I think that they took the risk to give my promotion to someone in India because they were getting a lot of pushback regarding all the expats in Bangalore. Local nationals were saying, ‘Why do we need all these expats coming in to oversee everything?’ It was better to sacrifice my promotion to address this and then try to reengage and offer me a promotion during the last year of my contract.

“But now I have a bit of a different view of all the expats in Bangalore. These people go back with a broader perspective, so their time in India might also educate them about the country. They can bring that new perspective with them wherever they go next in the world. Having returned here to London, I am asking why people are not involving their Indian team members more. I work to give these newer members of the team a voice because I know how capable they are. The further west you move, from London to New York, it seems the less understanding there is about how serious we are about the Asia-Pacific region.”

Ingrid’s experience is likely to become increasingly common as companies seek to expand their leadership talent pool. Her career prospects are still bright, even though her promotion was delayed by a year or two. She is now distinguishing herself through a different kind of role. Based on her knowledge of both India and London, as well as her strong personal network, she is able to draw out the full strengths of her team members to accomplish joint projects, a skill that is very important to her employer. People who join a global organization today and aspire to a leadership position should consider how they can best contribute as the center shifts (see Sidebar 1.2).
SIDEBAR 1.2  WHAT ABOUT ME?

Many individuals are concerned about the impact of cross-border commerce and migration on their careers and personal lives. Regardless of where they are currently living, they face many common—and sometimes deeply personal—challenges, asking themselves questions like:

- What can I do to advance my own career prospects and to make a more secure and prosperous life for myself and my family?
- Will I be able to compete with other employees or people in rival firms who may have more education or better skills, or who are hungry enough to work even longer hours than I do already?
- Does my employer appear to favor some individuals based on their personal background or nationality, and how can I best respond to this?
- Will I be able to understand and to work well with colleagues who were raised in a different culture, speak other languages, and perhaps belong to a different religion?
- How can I comprehend the needs of faraway customers and create products they will buy?
- How can I afford to educate my children well and prepare them for an increasingly competitive world?
- What will happen to my personal life if communication across time zones requires additional hours from my early mornings and late evenings or if I have to travel more and work harder? Can I still be present with my children while they are young, take care of aging parents, and keep my marriage intact?

The best approach to most of these questions is to clearly grasp the changes that are on the way and to cultivate the skills that you and your family will need to survive and prosper. The purpose of this book is to help people from any country succeed in this changing environment.

More Countries on the Way

Change is occurring in other places that could affect the careers of Ingrid and her colleagues. Although China and India are the biggest players in the shifting global economy, a number of locations in Asia, the Middle East, South America, and Africa continue to grow rapidly. Countries like Turkey, Malaysia, and Poland are already or soon will be among the ranks of the emerged nations.

Trend lines seldom remain constant over time, and unpredictable events occur: natural disasters, civil unrest, war, disease, economic crises. The BRIC (Brazil, Russia, India, China) countries were once touted as the growth economies of the future, but Brazil and Russia have both since experienced economic turmoil and stagnation. Even China’s once torrid double-digit growth has slowed to single digits and what its government is calling the “new normal,” although this is still double or triple the growth rates in the United States and Europe. And, as many companies that invested in Russia have discovered,