21st Century Workforce series

Leading across borders
Inclusive thinking in an interconnected world
## Contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>03</td>
<td>The new C-suite leadership agenda:</td>
<td>Three things for leaders to do now. An inside look at practical techniques for leaders to hone their ability to benefit from multiple perspectives.</td>
</tr>
<tr>
<td>04</td>
<td>1. Think differently:</td>
<td>Collaborate in the face of uncertainty. Inclusive leaders must collaborate imaginatively to tackle the challenges of our increasingly volatile, uncertain, complex and ambiguous world.</td>
</tr>
<tr>
<td></td>
<td>Interview:</td>
<td>Muhtar Kent, Chairman and CEO of The Coca-Cola Company, discusses his inclusive leadership strategy.</td>
</tr>
<tr>
<td>08</td>
<td>2. Learn differently:</td>
<td>Seek out different experiences. Immersion in a variety of perspectives and cultures is critical for the leaders and employees of tomorrow to compete globally.</td>
</tr>
<tr>
<td></td>
<td>Interview:</td>
<td>Mansour Javidan, Dean of Research at Thunderbird School of Global Management, talks about the attributes of cross-cultural leadership.</td>
</tr>
<tr>
<td>12</td>
<td>3. Act differently:</td>
<td>Sponsor people who are not like you. Unintended biases are so ingrained that leaders must make conscious efforts to not only recognize and overcome them, but also stretch to change the face of their leadership team.</td>
</tr>
<tr>
<td></td>
<td>Interviews:</td>
<td>Jean-Claude Le Grand, L’Oreal’s Consumer Products and Corporate Diversity Director, describes the company’s worldwide inclusiveness strategy. Mieko Nakabayashi discusses social change. Poon Wai, Chair of Ajisen (China) Holdings, speaks with Ernst &amp; Young about collaboration and the importance of diverse viewpoints. Ernst &amp; Young globalization report: <em>Winning in a polycentric world</em>.</td>
</tr>
<tr>
<td>20</td>
<td>Following up:</td>
<td>All the difference in the world.</td>
</tr>
</tbody>
</table>
think
learn
act
The new C-suite leadership agenda: three things for leaders to do now

If Google were a person, what kind of person would it be? Business psychologist Douglas LaBier has an interesting take on that question.

Google displays “the model of a psychologically healthy adult in today’s world,” LaBier wrote in an article in *The Washington Post*.1 “Its corporate culture and management practices depend upon qualities like transparency, flexibility and collaboration with diverse people; non-defensiveness, informality, a creative mind-set and nimbleness, all aimed at aggressively competing for clear goals within a constantly evolving environment.”

Leaders should take note of this paradigm. Today, every leader knows that things need to be different. But not every leader knows how to be different.

No doubt, companies have made some progress in incorporating diversity into their senior management teams. But they are still far from achieving a true balance of different perspectives. Women, for example, are significantly underrepresented on boards and leadership teams. Companies also have a long way to go when it comes to incorporating diversity of experience, skills, cultures and education – the basis of the flexible, open-minded and inclusive leadership essential to capitalize on global talent and propel the organization to success in a volatile world.

The good news is that inclusive leadership is not an abstract concept. There are practical techniques that leaders can implement to hone their ability to benefit from multiple perspectives. Through new research we conducted with the Economist Intelligence Unit (see full results at www.ey.com/globalization) and interviews with leading thinkers and heads of global corporations, we identified three things that business leaders can do on Monday morning to think, learn and act differently:

1. Think differently: collaborate in the face of uncertainty.
2. Learn differently: seek out different experiences.
3. Act differently: sponsor people who are not like you. ∆

“Cultural differences aren’t just something we appreciate. If there’s anything we need to appreciate, it’s the *impact* that these cultural differences are having on business outcomes and business performance.”

— Joerg Schmitz, Cultural Anthropologist

---

Think differently: collaborate in the face of uncertainty

“Most of our current leadership models are based on the present and past, not the future,” says Bob Johansen, a Distinguished Fellow at the Institute for the Future in Palo Alto and author of the book Leaders Make the Future. “Most companies hire analytical people and train them to solve problems. But in the years ahead, there will be fewer problems that can be solved. Instead, we’ll have dilemmas, which are basically unsolvable problems, and these will require a different set of leadership skills.”

Johansen sees tomorrow’s leadership traits as being mostly about functioning calmly in an environment that you no longer control. Leaders will operate in what Johansen, borrowing an acronym from the US military, calls the VUCA world: volatility, uncertainty, complexity and ambiguity.

For example, even the best inclusiveness tactics can sometimes backfire. Companies may find that they have to live with less-than-perfect results. Diverse teams perform better than homogeneous teams – but only if they are managed properly. Leaders must expect friction, and rather than try to defuse it, listen to what the various people in the debate are saying without punishing them for speaking up. This means modifying the old command-and-control style of leadership and actively embracing a collaborative leadership style in an uncertain global community. Collaboration, in this context, means more than just working together across geographical or organizational boundaries; it involves bringing together people with different backgrounds or capabilities, sparking healthy conflict, fresh ideas and potentially, new products and services.

In fact, the appreciation of differences of all kinds can help leaders manage better in the face of uncertainty. In a new survey of 1,050 executives conducted by Ernst & Young and the Economist Intelligence Unit (see page 18), the majority of respondents believe that diversity of teams and experiences improves both financial performance and reputation.

Our findings suggest that companies recognize the importance of diversity of experience, and are taking steps to improve it. But tackling this challenge is a long-term issue that may take many years to address. “Business leaders will have to figure out how to manage multiple viewpoints and perspectives across the company,” says Navi Radjou, Executive Director of the Centre for India & Global Business at Cambridge Judge Business School. “But rather than trying to seek convergence, which is the easy route, companies will need to encourage divergence, because divergence leads to diversity and diversity leads to more innovation. If you want to fight complexity, the answer is not simplicity.”

---

2 Ernst & Young interview, April 2010.
3 Winning in a polycentric world, Ernst & Young/Economist Intelligence Unit, January 2011.
4 Ernst & Young/Economist Intelligence Unit globalization survey, 2010
1. Think differently: collaborate in the face of uncertainty
The Coca-Cola Company is immense, with revenues topping US$31 billion and sales in more than 200 countries. Yet the giant beverage retailer maintains a consistency of vision and values that unify its far-flung operations. Under the leadership of Muhtar Kent, its dynamic Chairman and CEO, Coke has made a strong commitment to inclusiveness. In a recent conversation with Ernst & Young Chairman and CEO, James Turley, Kent described Coke’s global leadership strategy and why it pays off so well for the company.

James Turley: You have quite a diverse background for the CEO of a US-headquartered organization. Do you think your background gives you an advantage in leading a company that competes globally for a diverse base of consumers? If so, how?

Muhtar Kent: I think it’s important for leaders of today’s global companies to be well versed in international affairs, and to have had a breadth of experience living and working in markets around the world. It’s imperative to know your business from the ground up, and in our case, 80% of our business is outside the US. Knowing the business means having an acute knowledge of those markets, people and cultures that comprise the vast majority of our business.

“Once a culture of exclusion has been established, it can be hard to change, and that’s detrimental to your long-term talent development and competitiveness.” — Muhtar Kent

James Turley: What does “leading with a global mindset” mean to you? Why is this important for today’s business leaders?

Muhtar Kent: To me, it’s about putting all of our decisions and actions through a global filter. For instance, how would a decision made for our business in the US impact our business in India? How would this innovation in Poland transfer to markets in North America? What can we learn from our experiences in Mexico that might apply to China? It’s about critical thinking and cross-cultural understanding. It’s also about people and leaders who are as comfortable working in Mumbai and Mombasa as they would be in Montreal or Minneapolis.

James Turley: You have assembled an extremely diverse and international senior management team. Can you share an example
of a positive outcome or competitive advantage that resulted from the diversity of this team?

Muhtar Kent: A great example is our 2020 Vision – a strategic renewal process that aligns our company and our bottling partners around the world toward common goals and priorities to help us double our business in the next decade. Our vision is the by-product of input from so many diverse leaders across our company and our system. This is the result of our collective strength and that is the real power of diversity – realizing that the whole is infinitely more powerful than the individual parts.

James Turley: Today’s CEO must take an extremely broad view of the world, keeping abreast of issues that extend far beyond the business. What does Coca-Cola do to broaden the perspective of its future C-suite executives? Do you have any programs that focus on building cross-cultural skills?

Muhtar Kent: We have a number of programs in place, including one that I have personally been very involved with over the past few years. It’s a program where we take rising stars from across our company and place them in special team assignments around the world. The whole idea is to place people far outside their comfort zones and get them working in areas of the business they’ve never had experience in, with people they don’t know and often in markets they have never visited before. For instance, a marketer in Atlanta may find herself working on a strategic planning team that is focused on building our bottling capabilities in the Southeast, or developing a juice strategy for our business in Eurasia. It’s been an incredibly powerful tool.

James Turley: You have stated that one of your top people priorities is achieving true and sustainable diversity across all 206 countries in which Coca-Cola operates. Promoting inclusiveness on a global basis can sometimes produce friction among people with different backgrounds. Has Coca-Cola faced any cultural challenges in promoting diversity and inclusiveness globally and, if so, how have you overcome them?

Muhtar Kent: There are challenges, certainly, that still exist out there. But the barriers are breaking down and a large part of that goes back to our 2020 Vision, which I mentioned earlier. Building a diverse and inclusive workforce is central to our vision and we have metrics in place and expectations that must be met. When global leaders come together and agree on shared priorities and accountabilities, progress is inevitable.

James Turley: How might a company’s failure to lead inclusively hurt its competitiveness – in the short and long term?

Muhtar Kent: If you’re behind in this regard today, you’re already at a disadvantage. Once a culture of exclusion has been established, it can be hard to change, and that’s detrimental to your long-term talent development and competitiveness. Δ
Learn differently: seek out different experiences

Learning from different cultures and viewpoints isn’t just a polite thing to do – it’s critical if the leaders of tomorrow want to have any impact at all on the health and growth of their organizations. The global organization of the future will be dealing with workforce, logistical, production, marketing and management challenges of a magnitude unknown even to the large multinationals of previous eras. A survey of 200 leaders by the UK’s Ashridge Business School drives home the point that external conditions have a profound effect on executive decisions. The report states that “the global leader of tomorrow needs to understand the changing business context – 82% of those polled say senior executives need to understand the business risks and opportunities of social, political, cultural and environmental trends. … Senior executives also need the skills to respond to this information.”

Leaders will be able to respond most appropriately to challenging situations when they have the ability to engage with individuals from all over the world, grasp the nuances of different cultures and understand the actions that work best in various contexts. But the Ernst & Young/Economist Intelligence Unit global survey (see page 18) found that companies are not doing enough to develop such leaders, and rarely have global strategies that enable them to draw on talent from around the world and build workforces with diverse cultures and backgrounds. A creative, globally savvy management team and workforce can only be developed by encouraging employees to move around the organization both geographically and functionally, experiencing a wide variety of roles and developing new skills and competencies through exposure to different cultures, industries, individuals and ways of thinking.

“At a tactical level, we are seeing companies trying to hang onto talent as opposed to sharing them across the organization, but this is short-term thinking,” says Rosaleen Blair, CEO of Alexander Mann Solutions, a global recruitment process outsourcing firm. “Mobility is going to be crucial for organizations that want to operate on a global basis. Those organizations that are running programs where they are rotating people and getting that global experience are going to be at a major advantage.”

Leading global firms such as The Coca-Cola Company (see our interview with Muhtar Kent on page 6) send their promising executives on special international assignments. “This is a technique that’s been used for a long time to develop high-potential people,” says Kathryn Komsa, Vice President and Chief Diversity Officer at global professional services provider Marsh & McLennan Companies. “Take them out of their comfort zone, then add a layer of multicultural environments, and this can really broaden your perspective. When you send someone abroad, you’re hoping that they can do the work involved and also come back and bring a new perspective that helps the organization.”

For their part, companies must systematically find ways to benefit from their employees’ global experience, writes international management scholar Nancy Adler. “External validation through recognizing and valuing global and re-entry experiences … is one of the most effective ways for global companies to acquire an up-to-date understanding of the worldwide business environment.”

6 Ernst & Young/Economist Intelligence Unit interview, November 2010.
7 Ernst & Young interview, December 2010.
2. Learn differently: seek out different experiences
Understanding cross-cultural differences shouldn’t be that difficult. After all, haven’t most global CEOs been there, done that? But the devil is in the details, as Mansour Javidan, Dean of Research and Garvin Distinguished Professor at Thunderbird School of Global Management, explains to Ernst & Young’s Billie Williamson, Americas Inclusiveness Officer.

Billie Williamson: You’ve been leading GLOBE, the Global Leadership and Organizational Behavior Effectiveness Research Project. Can you briefly describe the project and its progress to date?

Mansour Javidan: GLOBE looks at the inter-relationships between societal culture, organizational culture and organizational leadership. We’ve got about 170 social scientists and management scholars from all major regions worldwide working on a long-term series of cross-cultural leadership studies.

GLOBE is a multiyear project that’s broken into phases. In Phases 1 and 2, we looked at cultural similarities and differences across countries and tried to understand what we call implicit leadership theories. That is, what do people in different societies expect from their leaders? In the first two phases, we collected data from more than 17,000 middle managers in 58 countries representing 62 cultures. From that, we’ve created profiles of outstanding leadership in each of those cultures. Now we’re in Phase 3, in which we collected data from more than 800 CEOs in 20 countries (a subset of the total 58). In this phase, we’re looking at the actual behaviors of CEOs and asking how they implement strategic change in their organizations. We hypothesized two things: first, that the CEOs whose styles are consistent with the leadership profiles in their respective countries will be outstanding leaders; and second, that their companies’ financial results will be superior to the results of companies led by CEOs whose styles don’t match the profiles. Thus far we’ve found that this is, in fact, true.

Billie Williamson: What does this mean, in practical terms?

Mansour Javidan: It means that if you’re a US executive working in Russia or China, for example, you must think about what kind of leadership style you should use and how you must adjust your behavior. We have detailed information about how to lead in different countries. And now that we have that information, we’re asking what adjustments a typical executive must make and why some are more successful than others in making those adjustments. Our position is that the successful executives have “the global mindset”; a set of attributes that helps executives do a better job of leading people who are different from them.

Billie Williamson: What are your top-level findings from the survey?

Mansour Javidan: We have identified specific leadership attributes that are universally desirable – no matter what country you’re in. For example, integrity and honesty are viewed as very positive (although they’re more important in some countries than in others). Being collaborative is also highly desirable, regardless of what part of the world you’re in. By the same token, some attributes are universally undesirable for leadership: being irritable, asocial or self-centered is viewed negatively in all countries.

Then, there is a wide range of attributes that are culturally specific. For example, being cunning and self-protective is viewed negatively in the US and Germany, but seen as positive and effective in parts of the Middle East and some other countries. So US executives in the Middle East, for example, would first want to understand that these qualities may be viewed positively by location colleagues and clients. And second, they’d want to decide how to incorporate those qualities into their own leadership style without losing their identity. That’s the real challenge.

Billie Williamson: In talking about promoting diversity and a global mindset, don’t we risk being somewhat ethnocentric ourselves? We’re telling people, “Here’s how we do it in our part of the world, so that’s how you should do it, too.”

Mansour Javidan: I get that question a lot. My view is that if you’re an American company that believes in the value of diversity – that it fuels innovation and leads to better business outcomes (and there’s good evidence that it does) – then the people you hire in other parts of the world should abide by your values. Again, that’s the challenge for every global company: how to balance your corporate and societal cultures with those in the foreign country where you’re
operating. The company must stick to its values, but it also must understand that just because you can implement those values in the US doesn’t mean you can necessarily do so in another country.

I don’t think there is a simple answer to a situation like that. You have to assess what risk you want to take, and then see what happens.

“Successful executives have ‘the global mindset,’ a set of attributes that helps executives do a better job of leading people who are different from them.”  
— Mansour Javidan

Billie Williamson: Can you think of any real-life instances where you’ve seen this dilemma? How did it work out?

Mansour Javidan: This was kind of a nuanced situation, not really black and white. A US company operating in the Middle East sent a very competent, very successful woman executive there. The company’s own country manager said, “If you send us this individual, she won’t be able to build the same personal relations that a man could.” And in the Middle East, it’s true that the boundaries between business and personal relations are fuzzy.

The company decided that the woman met all the relevant criteria, and sent her despite the objections of the country manager. In the short term, the US company actually received strong positive feedback from some of its local clients and supply chain partners, and other people it was dealing with in that country. Some of them said, in effect, “We appreciate that you’re taking your own values seriously.” Everyone was very pleased. But a year into the job, the female executive realized what the country manager had been talking about. She had very good, respectful relations with her local contacts, but she was unable to build the same kind of personal relations that a male executive could have. Her experience on the informal side was quite different from the formal side. As a result, she was a little constrained in her ability to do more business.

So it’s not about good or bad, or wrong or right, or success or failure – she was reasonably successful – but she herself was the first to admit that a male executive could have done more. Everyone was clear that there had been a price attached to sticking by the company’s values – and the company was fine with that.

Billie Williamson: Are there actions companies can take in the short term that will help their people foster a global mindset?

Mansour Javidan: First, share information with newcomers about the do’s and don’ts of dealing with people from different parts of the world. Tell people that this is a priority for the organization. Second, multinational corporations employ people from all over the world, but often they don’t exploit this advantage. Companies should leverage their networks by arranging for new executives to spend time with people from different backgrounds whenever possible. I’m often amazed that companies have no easily accessible database of managers who are based overseas or foreign employees who have worked abroad and then returned. Most companies have a large pool of people who can share ideas and experiences, and it doesn’t cost anything to do this.

Let’s say I want to learn about Japan. Which button do I push, which screen do I access to see the list of all of our people? Again, not just those who are currently in Japan, but also those who have had experience working there, regardless of where they are now. Many companies, perhaps most, don’t have this information centralized and made easily available.

Billie Williamson: Don’t most senior leaders know all this already?

Mansour Javidan: None of this stuff is rocket science. Most people in global positions are pretty smart and they’ll undoubtedly figure it out. But there’s an easy way to do it, and a hard way. The easy way is to take a proactive approach and help prepare people for the challenges of leading with a global mindset. The hard way is to let them parachute in and assume that they’ll figure it out. Many of them probably will, but the process will be inefficient and painful. And there is the risk that some of them may not figure it out. The solution is for companies to be proactive and help their managers. This requires that they do some thinking about how to thrive in a global economy, and make the issue a priority. △
Act differently: sponsor people who are not like you

While mentoring is a tried-and-true approach to helping young professionals advance, a better approach to leading inclusively is sponsorship, which is more dynamic and active. A recent article in *Harvard Business Review* highlighted the importance of sponsors, noting that men have more sponsors than women, and therefore more promotions and career opportunities. Unlike a mentor, who is usually a senior executive required to participate in mentoring in the context of a diversity and inclusiveness program, a sponsor functions as an advocate, supporter and defender. For example, “senior male executives can sponsor high-potential junior women and position them for leadership, providing stretch opportunities and putting women on short lists for top jobs,” says Sylvia Ann Hewlett, founding President of the Center for Work-Life Policy (CWLP).

“A sponsor is different from a mentor,” adds Ripa Rashid, Senior Vice President at the CWLP and author of a forthcoming study of sponsorship. “A sponsor believes in you, supports you, opens doors for you and provides air cover if things go wrong.”

The problem, however, is that we tend to sponsor people we like, or people who remind us of ourselves. In our own limited cultural context, that might make sense, but not in a diverse global market. In their sponsorship, leaders must be aware of any unconscious biases and actively support people who think and behave differently. Leaders must also expand their own professional networks to include diverse individuals who can help broaden their perspective.

“Your ability to recognize top talent may be culturally biased,” says Cultural Anthropologist Joerg Schmitz. “If you don’t consider the cultural underpinnings of your assumptions, you might be missing a
3. Act differently: sponsor people who are not like you
“Multinational corporations employ people from all over the world, but often they don’t exploit this advantage. Most companies have a large pool of people who can share ideas and experiences, and it doesn’t cost anything to do this.”

— Mansour Javidan, Dean of Research and Garvin Distinguished Professor, Thunderbird School of Global Management

huge talent pool. China’s a good example because so many companies there struggle with talent acquisition. China has a huge number of people, but if you view them through a culturally specific lens, that narrows your perspective on what constitutes talent. And since all the Western companies have these same lenses, it leads to a war for talent that causes escalating salaries and other bad outcomes.”

Everyone has biases – some are helpful and others can be unintended. The unintended biases are so ingrained that leaders must make conscious efforts to not only recognize them but also act to counter them. The work of Mahzarin R. Banaji, a Harvard University psychology professor and a leading researcher of implicit prejudices, helps lay the foundation for understanding implicit biases. Banaji and her colleagues, Anthony Greenwald and Brian Nosek, are best known for developing the Implicit Association Test (IAT), which reveals biases and attitudes that people may not be consciously aware of and may even contradict their explicit behavior. “The test is unusual in that it provokes a reaction of surprise, even astonishment,” says Banaji. “It is a tool to understand what goes on invisibly in our minds, but it is also a catalyst for insight.”

Using that insight to act differently may take considerable personal courage and integrity. For example, appointing more women or ethnic minorities to leadership positions may not be a popular move. But ultimately, this is the true test of whether an organization really cares about inclusiveness or not, and whether it is bold enough to turn discussion into action. As Marsh & McLennan’s Komsa points out, values matter: organizations do have the power to change the world. “The pace of change in some places may be slower than in others,” she says. “But corporations influence lots of people: those who work for them and those who see their advertising. In this way, they can affect social change, and sometimes even policy. Companies must articulate their values and then be true to them.”

10 Ernst & Young interview, December 2010.
11 Ernst & Young interview, October 2010.
12 Ernst & Young interview, November 2010.
14 Ernst & Young interview, December 2010.
The eye of the beholder: where L’Oreal finds beauty

For more than a century, cosmetics giant L’Oreal has been a leader in innovation in the beauty industry. Today, with 23 international brands, the company has embraced diversity as a cornerstone of its growth agenda. Jean-Claude Le Grand, L’Oreal’s Consumer Products and Corporate Diversity Director, sat down with Karen Hochrein, Ernst & Young’s People Leader for Europe, Middle East, India and Africa, to discuss how his company implements its inclusiveness strategy worldwide.

Karen Hochrein: Why are diversity and inclusiveness such important issues for L’Oreal?

Jean-Claude Le Grand: We’re in the beauty business, and the concepts of beauty and diversity are intertwined. There is no single global standard of beauty; instead, there are different perspectives and different histories. The beauty market is diverse by definition. To lead in that market, L’Oreal has to be diverse from within. Under the leadership of our CEO, Jean-Paul Agon, L’Oreal’s goal is to be a worldwide leader in corporate diversity for the next 10 years.

Karen Hochrein: How does diversity affect your bottom line?

Jean-Claude Le Grand: Diversity helps our bottom line in several meaningful ways. Take the factory floor for example. We’ve studied the operations of some of our factories. If there are both men and women in a production line, we get better results with respect to product quality, waste management, energy consumption and other factors. If the line is only men, or only women, the results are not the same. For these and others reasons, diversity has become part of L’Oreal’s DNA, not only with respect to our brands, but our people as well. Diverse teams are more competitive and we are able to demonstrate that it’s real. It’s not just a positive, dreamy vision concerned with PR or marketing communications. It’s facts and figures, with concrete key performance indicators. That is the L’Oreal vision.

Karen Hochrein: When you’re hiring for an important senior position, how do you assemble a diverse slate of qualified candidates?

Jean-Claude Le Grand: We’re doing a couple of things. First, in some countries we have obtained a kind of certification, similar to ISO, to ensure that our recruitment practices are not discriminatory. The major tool for doing this is an Assessment Center. It uses procedures that evaluate each candidate according to the same standards – those based on people’s skills rather than appearance or some other factor. Second, we have special training programs (for everyone, but especially our recruiters) to help staff overcome their innate, and often unconscious, biases. We’ve just finalized a training program in 28 countries for 8,000 managers in Europe and plan to extend it to all 25,000 employees in Europe. This helps everyone keep diversity in mind as a priority, especially when looking for talent.

Karen Hochrein: Does L’Oreal’s emphasis on diversity affect its ad campaigns?

Jean-Claude Le Grand: Very much so. We’re the world’s third-largest advertiser, so this is something we think about a lot. If we always promote the same vision of beauty – for example, by always showing models who are young, white and blonde – then many of our customers will begin to feel that we don’t understand their needs. Of course, sometimes you see commercials that are clearly aimed specifically at a certain segment – black women, for example – and so the model in the commercial is black. What we’re trying to do is to put a black model in a “white moment.” Campaigns like that actually create the potential for helping society see itself differently.

Karen Hochrein: Do you encounter any resistance when promoting diversity in developing economies – perhaps because more traditional cultures may not acknowledge that diversity is important?

Jean-Claude Le Grand: We encounter some resistance, but we encounter it everywhere, including developed markets. In some countries in Asia, for instance, women are disadvantaged in a lot of ways. In Latin American countries such as Argentina, there is a kind of heritage of discrimination: 100 years ago, everyone there was of European descent, basically white. But even today, Argentines who have intermarried with darker-skinned people from Peru or Bolivia may face discrimination. And there may not be this idea of helping disadvantaged minorities become more integrated into society. In emerging markets, you should focus on one or two main areas. Don’t try to do it all – taking on issues such as gender, disability, race, age, etc. It’s better to say, “Our focus in Argentina is to have more women on our executive committee, and we are taking it country by country, zone by zone, trying to promote a more diverse world.”
It takes courage to change the system – but it all begins with one person. Mieko Nakabayashi is a member of the lower House of Representatives in the National Diet of Japan, the country’s bicameral legislature. She is a member of the ruling Democratic Party of Japan (DPJ) and a strong advocate for increasing opportunities for women in Japan’s corporate and political leadership ranks. Beth Brooke, Ernst & Young’s Global Vice Chair of Public Policy, Sustainability and Stakeholder Engagement, asked her about what she sees as the pace of social change in Japan today.

Beth Brooke: What is the current status of women in business, professional and political leadership ranks? Has there been much progress in the past decade in creating new opportunities for women?

Mieko Nakabayashi: Opportunities are affected by the tough state of the economy, which has made it harder to expand employment, particularly for younger women seeking their first full-time positions in the workforce. Some women are hesitant to work because they lose a valuable tax deduction, so companies don’t get enough female applicants with qualifications; hence, diversity becomes harder to achieve. Companies also expect women to leave the workforce after getting married, so they’re unwilling to invest in training them for management roles. As a result, few women get the same level of attention as men do in advancing their careers.

Women need to put more effort into their careers and into political leadership. We have to hold onto our strength and try to contribute. And we should remember that women’s problems are men’s problems, and vice versa. Trying to promote this sort of mutual understanding is the energy behind diversity – and diversity gives us the energy to move forward.

Beth Brooke: Aren’t you seeing other women following your example?

Mieko Nakabayashi: The younger generation, as well as more forward-looking women, oppose the current system. They don’t think it is helping women contribute fully to society and the many competitive challenges we face as a country in an era of globalization. Many women move overseas and get real training and better professional opportunities. When they come back to Japan, some of them struggle to reintegrate into society. Others find that they get more respect as a result of their overseas experience.

Beth Brooke: Can you tell us about your background?

Mieko Nakabayashi: I spent 14 years in the US. I have a master’s degree in political science. After graduating and getting permanent residency, I took a position as professional staff on the US Senate Budget Committee. I spent 10 years there, learning about democracy and how budget-making works, about what political leaders should know and how they should act for the good of their country.

While in the US, I met my husband and decided to follow him back to Japan. Many friends said, “Oh, you are a traditional Japanese woman, following your husband.” But that wasn’t really true. He initially tried to find a job in the US because he wanted me to continue my career. But he’s a surgeon, and getting a license to practice medicine in the US takes years for a foreign national. So we returned to Japan, where I worked first as an analyst at a think tank and later as a tenured professor at a university.

Beth Brooke: How can the men and women of Japan encourage the culture to be more responsive to the changing global environment?

Mieko Nakabayashi: In a sense, Japanese women may not have reached the stage where genuine political and social participation is available to them. Both women and men in Japan think that women should be protected. They believe Japanese women are treated better than women in the US because, in Japan, they are shielded from certain things. So in my opinion, a lot of education is still needed. But we are moving forward. With the change in parties, more women are being elected to political office. It’s still a small percentage, but it’s progress.
Entrepreneurship is flourishing in China, but it’s a fiercely competitive market. That didn’t prevent Poon Wai, Chair of Ajisen (China) Holdings, from opening and rapidly expanding a restaurant chain. An Ernst & Young Entrepreneur Of The Year® 2007 country winner for the Hong Kong and Macau region, Wai opened her first outlet in Hong Kong in 1996 and quickly grew the restaurant chain throughout the mainland, with about 140 outlets in China. She recently spoke with Franny Yao, Partner and Leader of Key Accounts and Government Relations in Ernst & Young’s China practice, about her views on global leadership, collaboration and the importance of diverse viewpoints.

Franny Yao: What do you believe are the essential leadership skills needed for today’s diverse business world?

Poon Wai: First, leaders need a global vision so they can take advantage of the global capital market. The global capital market is not only a source of finance, but also a platform for rapid access to the place where they present their brands and products to investors and are rewarded with international awareness. Second, it puts leaders on the right track of corporate governance and a modern corporate system, such as an international quality management system, internal audit, risk management, sustainable development and good global corporate governance. The market is full of challenges every day, with new risks and new opportunities emerging. You have to look up and look ahead as well as watch your step along the way. Good entrepreneurs have to create and maintain a core competitive edge while constantly breaking new ground. They need to take competitiveness to a new level in order to stand out in the changing Chinese and global markets.

Franny Yao: What does it take to be one of the leading business women in China? Does it require different skills in China than other parts of the world?

Poon Wai: I’ve always believed that females and males need to have similar skills to succeed in business.

As to whether female leaders are more prone to success in China, I don’t have related research data and therefore cannot comment. Many factors make for a successful leader, and gender is not one of them. What is most important to entrepreneurs is that they come up with ideas ignored by others, discover opportunities that others fail to discover and accomplish what others cannot accomplish. That’s what I did, and that’s why I succeeded.

Franny Yao: Do you have any plans to expand your business to other countries or regions?

Poon Wai: Actually, Ajisen Ramen has opened several branches in other countries, one even in New York’s Chinatown. But at present, Ajisen’s focus is still on the Chinese market, and we are committed to expanding from 500 to 1,000 branches, or even more. The reason is that China has the most people and is the largest consumer market in the world. If we decide to go outside China, we need to study issues such as whether our products are suitable for the local diet, whether the taste needs to change, what the local customs and market mechanisms are, how to introduce talent, how to manage the local branches and what model to adopt, be it a direct-selling store or a franchise store.

Franny Yao: Do you believe it’s important to have diverse perspectives, genders and backgrounds on your management team? What are the advantages or disadvantages of this approach?

Poon Wai: Teamwork is essential among our senior executives. Teams will disagree, but our senior executives can learn from others, analyze issues, raise questions, and then make decisions, try to solve problems and drive the business forward.

On our team, we have those who can charge forward, as well as those who are inclusive, calm and think in the long term. There are members who can control the situation effectively, and there are also members who are detail-oriented. What we need to do is organize these different abilities to form a core. On the other hand, our senior executives have been working together for more than a decade, and we have adapted to each, which is also very crucial. But the most important requirement? Perhaps that the senior executives can be bold and resolute, and lead by example. Though some of them are major shareholders, they are still engaged in many matters themselves. They can go deep into the company’s front line, go deep into the regional offices and also go deep into the stores.
Diversity helps lead in a polycentric world

It’s only been six years since Thomas Friedman wrote about the “flattening” of the world because of globalization. But already, there’s some evidence that the world may not be so flat after all. Rather, it’s turning out to be polycentric, with multiple centers of influence and growing differences in purchasing power, consumer preferences and market characteristics.

A polycentric world requires a leadership team that understands the dynamics of multiple, divergent markets. Respondents to a recent survey of global companies, conducted by Ernst & Young and the Economist Intelligence Unit, emphasized that homogenous management teams made up of individuals who have spent their entire career at corporate headquarters will not be suitable for that task. Instead, companies need to ensure that management teams include diverse individuals with different backgrounds and experiences, including experience in both fast-growth and slow-growth markets.

“In Asia, you have a completely different set of characteristics,” says Kal Patel, Executive Vice President for Asia at Best Buy, a global consumer electronics retailer. “Your main challenge will be your ability to experiment, fail and make resource allocation decisions quickly enough.”

But despite seeing a clear link between diversity and improved performance (Figure 1), companies struggle with translating their beliefs into action. Almost a third of the 1,050 respondents say that they have no representatives on their management team from outside their home market, and less than 10% have management boards where more than half the executives come from other locations (Figure 2).

In a more encouraging finding, management diversity tends to increase in line with a growth in overseas sales. Among those companies that derive more than 10% of their revenues from other countries, just 22% say they have only home-country representatives on their management team. For more information on *Winning in a polycentric world*, visit www.ey.com/globalization.

---

**Figure 1**
Which of the following statements best describes your assessment of the link between diversity and reputation/financial performance?

- Diversity of teams and experience improves reputation: 17%
- Diversity of teams and experience improves financial performance: 15%
- Diversity of teams and experience improves both reputation and financial performance: 53%
- Diversity of teams and experience does not improve both reputation and financial performance: 15%

**Source:** Ernst & Young/Economist Intelligence Unit globalization survey, 2010

**Figure 2**
What proportion of your global management board originates from countries outside of your home market?

- None: 30%
- 1%-5%: 17%
- 5%-10%: 14%
- 10%-25%: 12%
- 25%-50%: 13%
- 50%-75%: 5%
- 75%+: 4%
- Don’t know: 5%

**Source:** Ernst & Young/Economist Intelligence Unit globalization survey, 2010

---

15 Ernst & Young interview, November 2010.
“Your main challenge will be your ability to experiment, fail and make resource allocation decisions quickly enough.”

– Kal Patel, Executive Vice President, Asia, Best Buy
Following up
Complexity, multiple dimensions, fluctuating markets – these are not factors that disturb the status quo, they are the status quo. Leading inclusively does not mean “fixing” these conditions, but maintaining a fine balance to reach the best possible outcome. Even as leaders think and act differently, they must use the insights they have gained to take their inclusive leadership to the next level. That means adopting a wide-ranging view of the world that anticipates swift changes in business conditions, vast differences among markets and the need to improvise and innovate rapidly. By receiving and implementing innovative ideas from a variety of individuals with different backgrounds, skills and experiences, leaders can drive steady growth and profitability for their organizations no matter where they are located. This is not wishful thinking – research has repeatedly shown that diverse viewpoints lead to better ideas, better teams and better decisions.

Inclusive leadership is probably the most effective and creative approach to dealing with the ambiguous environment that global leaders face today. In fact, the world’s top business schools are revamping their curriculums to focus on creating innovative leaders who can deal with a rapidly changing world. For instance, the Haas School of Business at the University of California-Berkeley recently announced curriculum changes that would help develop “path-bending, innovative leaders.” In a future that will pose immense challenges, organizations with a diverse leadership team stand the best chance of responding positively and creating success for their businesses in a dynamic world. Δ
As a large global employer of 141,000 professionals in 140 countries, Ernst & Young understands the critical business importance of focusing on our people. We have been recognized as a leader in fostering a global workplace culture where people can achieve their potential. We don’t pretend to have all the answers, but we want to advance the dialogue regarding leadership in a multigenerational, diverse workforce. This report is part of a series of reports that Ernst & Young will develop on leveraging global workforce and leadership strategies for business success.