CHAPTER ONE

The impact of culture in coaching

This chapter focuses on:

- coaching in a globalised context: changing the way we live and work and the impact on our cultural values and beliefs
- the need for a paradigm shift in approaches to global leadership that embeds intercultural awareness and builds global mindsets
- coaching within a complex adaptive system (CAS).

What is culture?

Globalisation affects cultures and cultures shape globalisation.[1] But culture is a complex concept with varying definitions. Consequently, it has been difficult for the coaching profession to define, with terms such as cross-cultural coaching, intercultural coaching, or global executive coaching often used interchangeably. The word "culture" originates from the Latin verb *colere*: to cultivate the soil. However, the German word *Kultur* means education, according to Kroeber and Kluckhohn (1952, p. 21). This potentially indicates the origins of the concept of culture as learned, the cultivation of learning. Hall, on the other hand, suggests

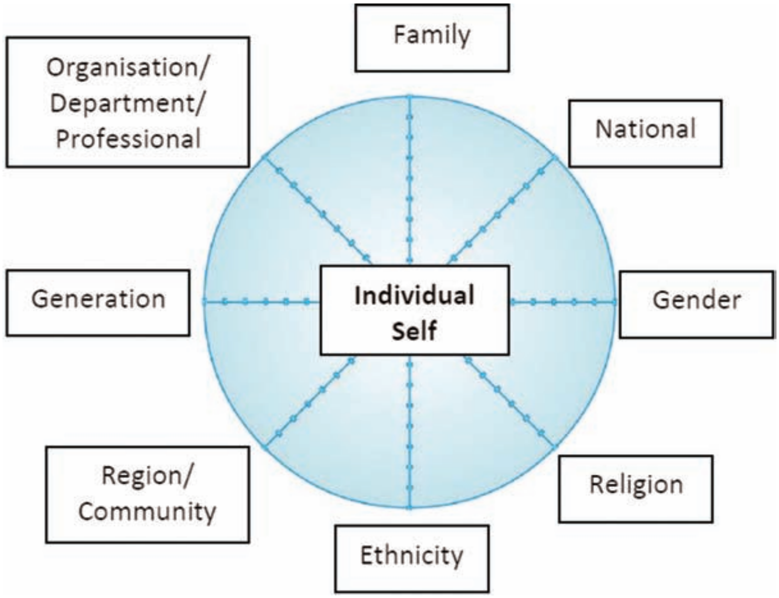

Figure 1.1: Some layers of culture.

that "culture is acquired", not taught (1959, p. 37). Such is the diverse and often conflicting nature of the culture debate. Yet these binary distinctions, on a par with the nature/nurture debate, may appear to be over-simplistic when we look at the factors that can influence those of us who live and work in multicultural societies today.

All too often, culture is viewed solely as national culture. Yet the culture concept is far more complex, with many layers of "subculture" that people have or belong to, each with its own unique identity. The Figure 1.1 above shows some of them.

A multicultural world

I met my husband in Singapore; my son was born there. My husband is from Suriname with African, Chinese, and Dutch heritage. Before the age of seven my son had lived in three different countries and had exposure to a multitude of cultures. This continued as we educated him multilingually and multiculturally. My son is perhaps representative of a new generation of children of expatriates or migrants who will later take their place in the workforce, bringing with them a rich tapestry of cultural influences. These influences will no doubt affect the way he views the world and will impact his interactions with people.

More people now live outside their home countries than ever before. According to the United Nations Population Fund website, in 2015, 244 million people, or 3.3 per cent of the world's population, lived outside their country of origin. This was an increase from 232 million people in 2013, amounting to 3.2 per cent of the world's population. Furthermore, many more move around inside their home countries, particularly in China and India where rural workers are relocating to the major industrialised cities such as Shanghai and Mumbai.

In 2009, one in six people of the population of England and Wales (9.1 million) was estimated to be of Non-White British origin, according to a statistical bulletin from the Office of National Statistics (ONS, 2011). This represented an increase from 6.6 million in 2001. Also in 2009, the mixed-race population rose to almost a million (986,600)—from 672,000 in 2001, representing an increase of nearly 50%. According to a Guardian news report (2011), an ONS statistician said this was due to the fact that "the population is mixing up more". Furthermore, a BBC (2012b) news report suggested that London is the first region where "White British" people are a minority. It further reported that the number of foreign-born residents in England and Wales had risen by nearly three million over the period 2001 to 2011. This meant that around one in eight, or 13% of the population were born outside the UK. Oxford University Migration Observatory (2015) has further suggested that the migrant population of England alone has increased by 565,000 since 2011; this is based on labour force data and is an update to the 2011 census. These trends contribute to an increase in multicultural societies characterised by mixed marriages, to bi-cultural offspring, and to multicultural workplaces.

According to a report in the *New York Times* (2012), the 2012 United States Census Bureau reported that for the first time in the history of the USA, white babies were outnumbered by non-white. "Minorities"—including Hispanic, Black, Asian, and multiracial people—reached over fifty per cent of the population. This demographic shift means that the USA, in true capitalist style, is treating "diversity as an industry", as reported by *The Week* (2012a). Changes in political policies and marketing campaigns are two repercussions of such demographic shifts, leaving the debate wide open to the possibility of attitude changes and shifts in perspective. To add to these demographic shifts, borders that have historically restricted both population movements and international trade are breaking down. Not only are there increases in the flow of labour, but the large-scale interactions of capital and goods across global supply chains. Companies have learned to work across a multitude of markets with differing regulatory controls, government influence, and consumer behaviours. According to Friedman, more people are interconnected, "able to collaborate and compete in real-time with other people on different kinds of work from different corners of the planet and on a more equal footing than at any previous time in the history of the world" (2005, p. 8).

One of the impacts of the interconnectedness of today's world is that we are prone to feeling the effects of actions taken by others in other parts of the world. The "butterfly effect" was felt in full force during the 2008 financial crisis when the high-risk structure of financial systems and, in particular, sub-prime mortgages in the USA created problems for financial markets and economies worldwide. Companies, governments, and citizens exist in complex interconnected systems creating the potential for both global collaboration and competition. Yet, despite all this, cultural norms, reactions, and expectations persist.

Countries such as India and China, who have traditionally supplied cheap goods to developed economies, are and will continue to be a major force. McKinsey and Company (Bisson et al., 2010) suggest that Western economies will have a lower share of global GDP (gross domestic product) in 2050 than they had in 1700, representing a tipping point in economic power from the West to the East. This would mark a return to Asia's pre-1700 "glory" days when it comprised two-thirds of the global economy (Kohli et al., 2012). McKinsey also points out that the number of BRIC (Brazil, Russia, India, China) companies on the Fortune 500 has more than doubled in the past four years.

These shifts will have a major impact on the world as more and more people enjoy a spending capacity that they have not previously had. It also represents a huge opportunity to capture new customers from the world's most populous countries. Moreover, these countries are moving beyond being "copycat" suppliers of low-cost goods and out-sourced manufacturing. They are innovating. Innovations such as China's high-speed trains and the Tata group's $2,200 car will sooner or later have an impact on the world market. At the moment, sceptics consider that the quality of goods does not and will not meet the stringent quality standards of more advanced markets. However, this is changing.

Global business landscape

Some countries in the West are experiencing flat growth, national debts of gargantuan proportions (at the time of writing the UK's national debt has risen to one trillion pounds sterling for the first time), civil unrest, and austerity measures. Leaders face the most difficult of times, not least of which is the need to balance the short-term pressures of delivering revenue and profit targets with the need for long-term growth and sustainability.

Traditionally, one of the most expedient ways of driving business growth has been by means of a merger or an acquisition. Expedient, yet risky. A report commissioned by KPMG (2009) found that the issues it had identified in its 1999 survey still prevailed. Namely, that companies were failing to address the "softer" issues that impacted cross-border deals: specifically in the management of cultural issues. The KPMG 1999 survey found that eighty-three per cent of mergers were found to be unsuccessful, producing little business benefit in terms of shareholder value. The resolution of cultural issues was found to be a key success factor. Deals were found to be twenty-six per cent more likely to succeed if cultural issues were addressed early on in the process. The KLM/Air France merger has been hailed as one of the more successful of our times, despite the analyst projections citing cultural differences as a pitfall. According to Renaud (2009) one of the key success factors was in addressing the intercultural issues early on, through the appointment of intercultural consultants and coaches to guide the process.

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The Office for National Statistics (2013) reported that foreign investors owned more than half of UK quoted companies, an increase from just over thirty per cent in 1998 and just over forty per cent in 2010. Today, four of the largest six energy companies in the UK have received foreign investment. For example, the China Investment Corporation (CIC) acquired an almost nine per cent stake in Thames Water in 2012, according to *The Week* (2012b). The CIC is just one of several sovereign wealth funds (SWFs) investing in business and infrastructure in Britain, causing general speculation and debate about the prudence of selling national assets. The news report goes on to say that, besides China, other SWFs include funds estimated at five trillion US dollars from Saudi Arabia, Norway, and the United Arab Emirates. According to research from *The Grocer* (2012) and the research firm Nielsen, just forty-four of the largest grocery brands in the UK are British-owned. For example, the BBC (2012a) reported that Shanghai-based Bright Foods Company bought sixty per cent of Northamptonshire-based Weetabix for £1.2 billion, giving both entities increased global reach. This is bad news for people who believe in home grown enterprise, but good news for the generation of new jobs. The BBC (2014b) reported that according to figures from UK Trade & Investment, in one year, 66,000 jobs had been created in the UK by foreign businesses—from Europe, the Americas and Asia. Furthermore, the Centre for Economic Performance and the London School of Economics (2015) suggest that UK productivity (GDP per hour) is around seventeen per cent below the G7 average. British productivity has fallen since the Great Recession of 2008. Moreover, McKinsey (2015) research findings suggest that ethnically diverse companies are thirty-five per cent more likely to outperform, compared against their industry average ratings. These findings should all represent good news for multicultural organisations, communities, and societies. Yet it seems that diversity is often reduced to a tick box competency, to a "nice to have", or to positive discrimination. In the workplace, relatively little appears to be known about the benefits of increased productivity amongst diverse teams.

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In the context of international mergers and acquisitions, culture is often referred to as organisational culture.

> My own experience of surviving several mergers and acquisitions, including one "backwards integration" with Nokia/Erikson in Finland/Sweden, is that whichever entity is perceived by senior management to have the quickest route to value, is the culture that prevails. So when ICL bought the personal computer division of Nokia, Nokia was thought to have the brightest products, people, and potential; it quickly became the dominant culture at the expense of ICL's own culture. Smart companies think about how to integrate both cultures and leverage the strengths of the combined organisations.

The impact upon global leadership

Technological advances, thanks to the internet and mobile solutions, make it easier to both collaborate and compete across borders in virtual teams. However, operating globally, not to mention virtually, demands an understanding that there are culturally bound approaches to time, authority, communication styles, autonomy, respect for processes, adherence to rules, the importance of relationship building, allegiance to individual or collective goals, to name but a few. There are huge risks to business if they fail to understand and respect these differences.

This is evident at the boundary of compliance, ethics, and culture. For example, The BBC (2015) reported that Goodyear was fined sixteen million US dollars by the Securities' and Exchange Commission (SEC) for failing to stop bribery at its Kenya and Angola operations. Companies who fail to comply with the Foreign Corrupt Practices Act (FCPA) can find themselves with hefty fines and law suits, jail sentences, and mass dismissals, all pointing to the need for increased due diligence in accounting practices. However, they also point to the need to understand "how things are done around here". Bribery is systemic in some countries. Furthermore, cultural relativism suggests that what is right or wrong is culture-specific. What is wrong to someone from "the West" may be acceptable to someone from "the East" and vice-versa. Take the issue of human rights in China, for example. Therefore, effective global leaders not only need to increase compliancy procedures, but to take an ethical stance in ensuring that a zero tolerance to corrupt business dealings is communicated to all employees and members of the supply chain, and acted upon. We may take a lead from Delphi Automotive. It has been voted one of the world's most ethical companies by the Ethisphere Institute (2015). It has built a corporate culture of both ethics and compliance.

The Government of Sweden has also provided us with an example of an ethical business decision. It has stopped an arms deal with Saudi Arabia on the basis of ethical differences. This move comes at a huge financial cost. According to a news report by Tharoor (2015) cited in *The Independent* newspaper, military equipment deals to Saudi Arabia from Sweden were worth around thirty-nine million US dollars in 2014. Thus it may be seen that ethical dealings may result in a loss of business and slower results in the short term. But it may also result in employee fraud or threats of extortion being exposed, and corporate social responsibility for the greater good.

According to the *Harvard Business Review* (2015), measuring the return on character may be one way to ensure that leaders perform at the optimum level in their ethical dealings. A new study from KRW

International (2009) found that those CEOs whose employees ranked them high in the four character traits of integrity, responsibility, forgiveness, and compassion, had an average return on assets nearly five times as much as those with low character ratings.

Nevertheless, whilst the study claimed that these moral principles were universally held, the research was only carried out in the US. Furthermore, it does not explore the meanings behind these moral principles. As we will see later in this book, constructs such as responsibility can vary widely across cultures. Furthermore, the study rather avoids the impact of context, which could change the response or decision from one day to the next. The interface between culture, ethics, and compliance could perhaps provide some context to this enquiry.

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Even as far back as 1992, Schein stated, "cultural understanding is desirable for all of us but it is essential for leaders if they are to lead" (1992, p. 15). Leaders today must be globally minded: mindful of developing competencies within a changing, highly complex world. A PricewaterhouseCoopers (2010) report called for the creation of more flexible, adaptable, and creative teams that are culturally diverse and globally mobile. Yet, Abbott et al. (2006) explain that failures by expatriates to acculturate are largely due to the inability to adapt to a new culture. This has personal, professional, and financial implications. A coaching approach can help to address all of these issues.

Moreover, differing work practices get muddled with cultural values and beliefs. Differing work practices, such as the need to socialise before a meeting or not, can be learned. Standing in another's shoes and looking at the situation through the lens of the host country's norms and customs certainly can help. However, it is the values and beliefs that drive them that form the point of enquiry at which global leaders, global leadership consultancies, coaches, and trainers can have the most impact.

Leaders today face a turbulent and changing landscape. Leaders need to develop talent through creativity and innovation. Yet understanding of how people from different cultures function, yet alone flourish, lags way behind. This is remarkable given the scenarios discussed in this chapter. This calls for a paradigm shift in leadership, and the development of new skills and flexible global mindsets.

The call for a global mindset

In order to deal with the complexities of systems, changes in mindsets are required: changes in the mindsets of leaders, their teams, and the people coaching them. PricewaterhouseCoopers (2010) calls for organisations to develop globally minded leaders, yet there is a lack of clarity about what this entails. Gundling et al. (2011) suggest that leaders need to ask themselves different questions at a strategic level to incorporate considerations such as "shifts in market focus", "competitive set", "what and from where are the major sources of innovation?", and "who are the appropriate global leaders to model?". Questions such as these could result in an entire refocusing of a corporation along with the consequent risks and rewards of doing so. Ashridge (2006) suggest that there a host of social, political, and environmental issues that impact an organisation that leaders need to consider so that they can make better context-based decisions in the face of a complex world.

Focus group research conducted by Wilson (2012) into coaching with a global mindset suggested that the majority of coaches in the focus groups perceived global mindedness from within the cultural perspective of the global environment, highlighting "cosmopolitanism" as an underlying dimension to the construct (Levy et al., 2007). Relatively fewer perceived it as the development of a complex strategic mindset.

If coaching is conducted at the heart of corporate strategy then it must surely follow that a global executive coach's questions must be focused accordingly to reflect the multifaceted challenges of international business. Rosinski suggests an approach that "calls upon multiple interconnected perspectives to facilitate the unleashing of human potential" (2010, p. xiv).

Given the changes highlighted, there is perhaps a need to better respond to the dynamics of global business. Effective global executives influence multicultural systems (individual, divisional, corporate, and international). They are required to generate and sustain business opportunities and leadership in the face of such complexities. An understanding of the context, along with its inherent complexity, must surely assist with this navigation.

Yet how many senior leaders have the time to engage in this journey of exploration? It is therefore incumbent on the coach to be able to "hold the space" for the complexities facing global leaders. The Cross-Cultural Kaleidoscope is a tool to help them do this. The ability to raise awareness to global external factors that influence values and perceptions, and drive decisions is, or must shortly become, a core competency for global executive coaches.

Operating within a complex adaptive system

Global executive coaching may be seen as a conversation with a leader that takes place within the complexity of a multinational corporation—a complex adaptive system (CAS). A CAS has multiple "agents" or networks; it interacts, learns, changes, and adapts to its environment creating new boundaries and innovation (Holland, 2006). According to Holland, adaptation to a CAS is key for leaders. Captains of industry need to find "lever points" or key areas of influence in the corporate system. Once found, they seek to build upon established techniques and develop new ways of doing things. Global executive coaches can facilitate this by asking the incisive questions necessary to identify not only cross-cultural but cross-functional patterns and to cut through the complexity.

It could be that interconnectedness will provide a way forward. Potentially, we no longer live in a world of either/or, but of both/and: a world where paradox is normal and where knowledge is emergent. Working closely with global stakeholders will necessitate having to know ourselves—and our cultural values—in order to be able to identify what to carry forward and what to leave behind. This is difficult to do and we have few tools to help us to do this. As Hofstede (2001, p. 18) says, "identifying culture-related behaviour is difficult."

The following chapters further discuss the need to explore cultural values and beliefs as a route to intercultural effectiveness. This is in the context of a systems approach to intercultural practice: the Cross-Cultural Kaleidoscope model.

Note

1. Theme for Society of Intercultural Education, Training and Research (Sietar) 2008 Conference, held in Granada, Spain.