

A world map is shown in the background, with a sunset or sunrise over the horizon. In the foreground, the silhouettes of seven business professionals (men and women) are standing on a reflective surface, looking towards the sun. The sun is low on the horizon, creating a bright glow and lens flare effect. The overall scene is set against a dark, cloudy sky.

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CONSUMER MARKETS PRACTICE

SCULPTING TOMORROW'S "BORDERLESS" LEADERS

US companies of all stripes can benefit from more diverse senior management with a broader range of cultural experiences and cognitive skills. Developing such leaders will be a competitive necessity in an increasingly complex world.

SCULPTING TOMORROW'S "BORDERLESS" LEADERS

When the results of the 2014 Ryder Cup were tallied, the US team found itself in an uncomfortable place — on the losing end. The European team's victory was the latest in a dominant run during which it had captured six of the past seven cups. The US officials and team members, comprising some of the top golfers in the world, were left grasping for answers. While strategy, tactics, and individual play had all contributed to Europe's latest victory, I was struck by the role of another factor — diversity of experience.

Consider that the US team had 12 players with similar backgrounds who had played primarily in US tournaments. By contrast, their European counterparts were a melting pot — Denmark, England, France, Germany, Northern Ireland, Scotland, and Spain. Their backgrounds and upbringing could not be more different, so the English language was a common denominator to be able to communicate. They played tournaments on both sides of the Atlantic and felt at home in a greater variety of courses and conditions. During the past two years, the European captain had traveled frequently to interact with them, support them, and build camaraderie. To me, it was clear that the European squad's diversity of culture and therefore diversity of thinking had influenced the team's strategies, solutions, actions, and, most important, the final outcome.

What lessons should US business leaders take from the latest Ryder Cup results? In an increasingly complex world where emerging markets will offer the most attractive growth prospects in the coming years, companies that embrace a wider diversity of backgrounds, genders, perspectives, and, above all, ways of thinking — not only in local markets but also in corporate headquarters — will have an advantage.¹ Further, an understanding of local consumer tastes and customs as well as the sophistication to engage with business counterparts in these countries will increasingly represent a passport to sustainable performance. While all companies should strive to make diversity among senior management a top priority, in my experience US companies, and in particular US consumer goods companies, are most significantly lagging behind their global counterparts. Since these organizations are more likely to operate in multiple countries, each with its own consumer tastes and dynamics, assembling a roster of executives (including back at headquarters) who have firsthand knowledge of and familiarity with these markets can be an important factor in determining a company's success in global commerce.

To build and develop the next wave of multicultural leaders with the skills and capabilities to excel in global business, companies should follow three approaches. First, executives must understand the dynamics that are reshaping the global business environment — an environment that is at once more volatile, uncertain, complex, and ambiguous (VUCA) than ever before. Then, they must reevaluate their efforts to attract, retain, and develop the next generation of leaders (efforts that will in

¹ For more about cognitive diversity, see Scott E. Page, *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies*, Princeton University Press, 2007.

some cases require them to rethink their approaches to talent management). Finally, by injecting a global mind-set into all levels of the organization, executives can develop a strong vision and effective strategies to respond to each relevant market factor and increase the odds of achieving sustained growth.

Steering the business in an increasingly complex world

“Because things are the way they are, things will not stay the way they are.”

Berthold Brecht

While today’s global business environment is characterized by a world full of growth opportunities, companies face a raft of challenges in new markets that serve to reinforce the interconnected and mercurial nature of the international landscape. Traditional competitors are becoming more cutthroat to survive in lower-growth developed markets, while executives must also be prepared for new, muscular, and sometimes asymmetrical global competitors from developing economies. Moreover, the biggest growth opportunities require placing larger bets in more fluid, less familiar markets. Add in the factors accelerating the pace of change in a highly integrated global economy — from disruptive technologies and big data to exogenous elements such as natural and man-made disasters — and it’s little wonder that the old approaches to managing predictability are falling short.

As business leaders seek to develop effective strategies that can adapt to this new level of complexity, they have borrowed a military term, VUCA, which stands for “volatile, uncertain, complex, and ambiguous” (see sidebar “The origin and implications of VUCA”). This term has gained

acceptance in the business world as an umbrella for the many interlocking factors that executives must balance. Since so many of these factors are beyond the control of executives, the goal is to monitor and adjust to changes in the global landscape while still adhering to a well-defined business strategy.

In a business environment characterized by ambiguity and constantly shifting market dynamics, companies need to cultivate executives who have a broader set of skills. I’ve found the work of Professor Paul Kinsinger, of the Thunderbird School of Global Management, to be quite instructive. Kinsinger served in the Central Intelligence Agency for nearly two decades before directing his energies to the study of global trends and how to balance competing trends in a VUCA world. As part of his ongoing work, Kinsinger has identified several attributes of VUCA leaders.

Learn to let go of traditional definitions of success

Business leaders will have to gauge progress on the basis of new and constantly changing metrics, so an ability to adapt old approaches and embrace new ways to measure success is critical.

Keep one’s ego in check

Many leaders who have risen to key positions might interpret their inability to produce certain outcomes in a VUCA world as failure. Successful executives will instead focus on the versatility required to balance multiple factors and influence different potential outcomes to support the company’s business strategy.

Maintain a keen desire to keep learning

Executive who see new challenges as an opportunity to develop a whole new set of skills will thrive in a global environment.

Seek viewpoints from across the organization

A broad set of perspectives, including those from doubters or detractors, can help executives devise more comprehensive and nuanced strategies to manage in a turbulent world.

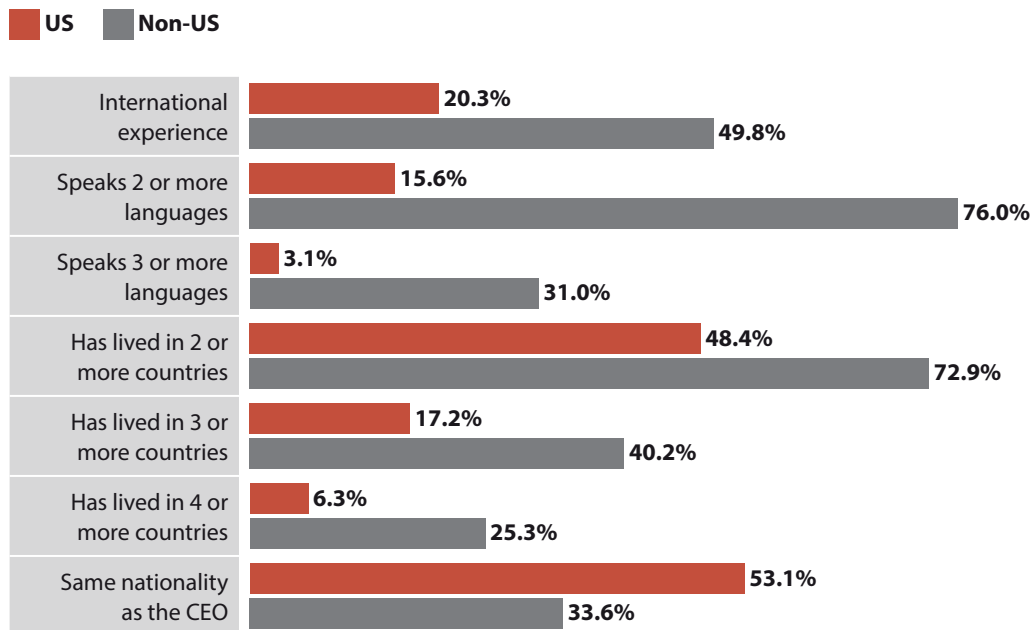
Become comfortable with ambiguity and uncertainty

Many organizations are living increasingly in a world of paradoxes — where challenges and opportunities often come in “both/and” rather than “either/or” decision points. Executives who eschew clear-cut answers and develop a tolerance for gray areas can function more effectively.

It’s no coincidence that these attributes sound like qualities that effective global business executives should embody. Leaders who are receptive to new ideas, inquisitive, and collaborative will have an edge in the modern business environment.

figure 1 – Far to go

Diversity of experience in 20 leading consumer goods companies (10 US and 10 European)



Wanted: New thinking

“We can’t solve problems by using the same kind of thinking we used when we created them.”

Albert Einstein

Despite the growing importance of agility, collaboration, and diversity, a lot of US consumer goods companies don’t have executive teams that reflect these qualities. My own recent examination of the senior management at the headquarters of 20 of the largest US and European consumer goods companies suggests that US organizations lag far behind their foreign counterparts in international and multicultural experience, as well as other hallmarks of cognitive diversity. For example, among this group, 53% of the US managers and board members were the same nationality as the CEO, compared with just one-third of their counterparts at the European companies. Moreover, the European managers were almost five times more likely to speak two or more languages than were their US counterparts and were far more likely to have lived in several countries (fig 1). While these results are

indicative of a relatively small sample, and should thus be taken with a grain of salt, the trends they suggest will likely resonate among managers across the larger US business landscape.

Two globally focused, European-based organizations I've studied exemplify the commitment to cultural diversity. The first company, based in London, has leaders from nearly 70 countries at headquarters and encourages its employees — from managers to top executives — to pursue international careers. Another company, headquartered in Continental Europe, has a dozen nationalities represented in its management board alone. These organizations are solid examples of the real commitment necessary to build global talent across functions and geographies. To be sure, cross-cultural awareness and familiarity is more a fact of life in Europe than in the United States, courtesy of the Schengen agreement as well as geographic reality (children in Europe are far more likely to grow up speaking two or more languages and to be exposed to multiple cultures in school and at home). The advantages this confers are quite real: regardless of citizenship or nationality, individuals who have had the opportunity to live abroad at an early age tend to feel their best and operate more effectively when assuming leadership roles in multicultural environments. (Of course, executives can still improve their level of comfort in multicultural environments at any age, for example, by learning an additional language or two — a rewarding experience, I've found, and one that's well worth the effort.)

A renewed commitment to international work experience

Although US companies understand the value of providing their executives with international experience, in some cases their efforts have been more of a check-the-box exercise. For example, US executives are often dispatched on short-term assignments — one to three years — to foreign countries in an effort to give them the knowledge and seasoning to operate more effectively in global environments. In the 1980s and 1990s, many businesspeople saw the expat opportunity as an adventure and a chance to experience global travel.

I strongly believe that international experience should remain a mandatory career path but suggest a different angle: it should be a personal *and* professional lifestyle, a passion that fulfills intellectual curiosity and is fueled by a desire to learn.

Part of my rationale is that today's business dynamic requires more. Sending a leader to a new location on his or her first international assignment is no longer sufficient to qualify that individual as a global executive. Fluency in a language, for instance, must extend beyond reading the newspaper, ordering a meal, or even leading a meeting and conducting negotiations. It should, over time, enable a global leader to gain a sense of culture, nuance, and local customs — critical but often overlooked factors in building credibility, developing strong relationships, and achieving results (for more, see: *What makes a global leader?* on www.heidrick.com). Further, US companies must understand that being able to travel to global destinations such as London with ease is not the same as having the skills and comfort to conduct business in Lagos, Ho Chi Minh City, Buenos Aires, or other up-and-coming developing markets. Similarly, executives who take occasional visits to foreign markets cannot hope to gain the international fluency required for success on the global stage.

Increased competition for global executives

US executives must accept that the offer of a position with their company is no longer the magnet for local talent it once was (a fact that many business leaders intuitively recognize but nonetheless have a hard time coming to grips with). Over the past decade or so, the growth of emerging markets has ramped up the battle for global and local talent considerably. As a result, the pool of available executives in local markets that US companies once relied on is now highly sought after — not just by other multinational companies but also by hungry local organizations.

As I was growing up in Brazil, the thought of joining Coca-Cola, Unilever, or many other well-recognized global consumer companies was the culmination of a long-held



The origin and implications of VUCA

by Paul Kinsinger

At the end of the Cold War, US military leaders coined the acronym VUCA (volatile, uncertain, complex, and ambiguous) to reflect the new multilateral forces at play. More recently, leadership thinkers have been drawing lessons from the military to create paradigms for surviving and thriving in a turbulent, “permanent whitewater” world. The search for sustainable performance has now reached new dimensions, with leadership agility and speed ranking high on the capability scale.

For businesses seeking a clear, secure path forward, VUCA offers a framework to understand how people can excel in rapidly changing and unsettling circumstances. At successful companies, executives have responded to this challenging environment by becoming more vigilant and versatile in adapting to their surroundings in order to master living in them: they become more alert; they try new things quickly and discard them if they don't work; they marshal and deploy internal and external resources creatively and adeptly until something works; and they hone the solution to an appropriate level of effectiveness and efficiency.

dream for ambitious graduates in developing markets (then often labeled “Third World” countries). Today, many local organizations have become global in their own right, gaining critical mass, extending their brands to new markets, and commanding solid businesses. These companies now offer career trajectories and compensation packages that rival global market leaders, the chance to work abroad, and, perhaps more important, a return ticket to home base at a more senior role. The bottom line: there is no limit to how far talented individuals can go if they wish to become global leaders in organizations domiciled in their native country.

Three winning attributes of global leaders

“One must change one's tactics... if one wishes to maintain one's superiority.”

Napoleon Bonaparte

A true understanding of the multiple dynamics of each mature and emerging economy cannot come as a result of occasional market visits, standardized reports, and annual presentations (see sidebar “Sizing the opportunity in emerging markets”). Rather, a deep, sensible, and thorough expertise of what is required to be successful across geographies will come from building hands-on knowledge, managing brands and businesses locally, leading diverse people, interacting transculturally, and even living in many areas of the globe. The perspective gained from such experiences will also imbue the organization, including headquarters, with a culture that welcomes, praises, and treasures a diversity of backgrounds and ideas.

US consumer goods companies must make a more deliberate and sustained commitment to develop a diverse set of senior leaders and management with the requisite skills. In addition to a diverse background, candidates should have what Thunderbird School of Global Management's Professor Mansour Javidan calls "the global mind-set." Through interviews with more than 200 executives and surveys of more than 26,000 managers, Javidan uncovered three dimensions of this mind-set that future leaders must have.²

1 Intellectual capital

Promising executives must have in-depth knowledge about how to do business in other countries, including knowledge about the competitive landscape, economic conditions, political systems, and regulations. Leaders with the skills to analyze, digest, and synthesize this information will be better able to make sound business decisions.

2 Psychological capital

The enthusiasm one has for a global role has a direct bearing on that individual's success. High-potential leaders should be quick learners, enjoy interacting across cultures, and possess curiosity about how things are done elsewhere. Executives must be willing to push themselves to try new solutions, embrace situations for the first time, and become comfortable with uncertainty. Think Indiana Jones, the famous film character, only in the world of business.

3 Social capital

Executives who know how to interact with people from other geographical areas will have an important advantage. Key attributes of social capital are a willingness to listen, pay attention, and understand what is happening in multicultural operating environments. Critically, executives must serve the role as facilitator to elicit divergent views and build consensus.

² For more on the research, see Mansour Javidan, "Bringing the Global Mindset to Leadership," *Harvard Business Review*, May 19, 2010.

Developing truly global executives

"Only the guy who isn't rowing has time to rock the boat."

Jean-Paul Sartre

How can business leaders begin to put Professor Javidan's wisdom into action? Ideally, executives would promote the global mind-set and reward these dimensions at all levels of the organization. To develop effective leaders and create a company culture defined by global awareness and engagement, US consumer goods companies should look to three areas as a starting point:

- Expose promising candidates to global environments early and often.
- Encourage experimentation early in one's career while mistakes can be remedied.
- Cast a wider net to include a more diverse set of candidates.

It should perhaps go without saying that all this starts with buy-in from the CEO and the top team. The world of business is highly heterogeneous, and corporate leadership should replicate that. Moreover, high-potential candidates pay attention to the environment around them and generally know which companies champion cultural diversity and diversity of thinking and which pay it lip service. If the color of your passport drives the composition of your leadership team, consider yourself on notice: high-flying candidates may already be avoiding your company. Similarly, if your company's track record in developing and giving global opportunities to high flyers is limited, it will further reduce your chances of attracting them.

The risk, of course, is that over time an organization's "just like me" culture can become so accepting of the status quo that it misses the signs that its competitiveness is fading. Designated internal diversity champions within the organization can help, but the key is recognizing that

moving from local to global to *transcultural* represents a significant cultural change. One CEO I recently spoke with describes himself as “chief talent officer” and notes that this is a responsibility he is not prepared to delegate (“with no disrespect to my HR group,” he adds). Further, he views staying in tune with the needs and wants of up-and-coming leaders as part of his job.

What this CEO (and others like him) recognizes is that tomorrow’s star leaders are often looking for more than resume-building global experience and that issues of compensation and challenge are only starting points. High flyers increasingly seek to understand a company’s purpose and to determine to what degree the organization’s “reason for being” mirrors their own. Indeed, for many up-and-coming leaders this sense of shared (or, at the very least, congruent) purpose is as close a ticket to long-term employee engagement as companies can hope to aspire to.³ Ultimately, the organizations that embrace the opportunity to clearly articulate their purpose and shape their cultures accordingly (embracing the power of diversity along the way) will win in the global marketplace through superior talent.

Vuca, vidi, vici

“Progress is impossible without change, and those who cannot change their minds cannot change anything.”

George Bernard Shaw

Deeper international experiences will help to mold leaders with credibility, sensitivity, trust, and respect for multiple cultures. Sophisticated global executives who can articulate a clear vision, define the organization’s purpose, and inspire legions of collaborators toward a common goal will be able to turn VUCA’s primary challenges into advantages.

Doing this can effect a transformation, as Thunderbird’s Paul Kinsinger observes:

- **Volatility is trumped by vision**, a clear-cut master statement of where an organization is headed, and by *vigilance*, the need to be much more aware of the drivers in a rapidly changing world that affect one’s enterprise. When confronted by volatility, leaders need to be looking for the weak signals of disruptive change and be able to communicate their vision clearly and often.
- **Uncertainty yields to understanding**, the deliberate ability to be aware of and assess all the factors at play and balance them accordingly. In uncertain situations, leaders need to make sure they are getting fresh perspectives and remain open and flexible when developing solutions.
- **Complexity is overcome by clarity**, the deliberate effort to make sense of the chaos. In complex situations, leaders need to make sure to collaborate with others and avoid trying to devise permanent solutions.
- Lastly, **ambiguity is matched by agility**, the ability of a leader to communicate across people and organizations instantly and to move quickly in applying solutions. When confronted by ambiguity, leaders need to listen well, think divergently, and set up incremental dividends.

Companies that can devise a long-term but flexible strategy will be able to prosper in a VUCA world, and a diverse set of global leaders will be a critical component. These individuals will drive more effective engagement across markets, which will in turn enable more educated decisions. Ultimately, the actions of this cadre of leaders will have a direct, positive impact on the bottom line.

³ For more about the importance of purpose-driven leadership for CEOs, see: *The CEO Report: Embracing the Paradoxes of Leadership and the Power of Doubt* on www.heidrick.com

Sizing the opportunity in emerging markets

A proliferation of attractive markets have led companies to expand into multiple countries, significantly increasing complexity for executives. Led by the BRIC (Brazil, Russia, India, and China) nations, a wave of developing countries have made impressive economic progress, accompanied by the accelerated growth of the middle class. While the United States still leads handily in GDP per capita, a host of emerging markets now present tantalizing opportunities for expansion.

Companies that hope to make inroads into new countries must understand the wide variance in market dynamics: for example, while Nigeria and the Philippines have similar GDPs, around US\$460bn, the economy and consumer tastes of each couldn't be more different. Further, Filipino consumers spend nearly three-quarters of their US\$4,700 each year on household items. A company's ability to operate seamlessly in markets from London to Lagos to Jakarta will require increased diversity and international experience among senior management. As a rule, the more that a company engages in the global landscape, the more that its headquarters should replicate the geographic complexity of its operations.

	Population millions	GDP US\$ billions	GDP per capita US\$	GDP composition Household consumption %
China	1,300	13,300	9,800	36.3
India	1,200	4,900	4,000	56.4
USA	300	16,700	52,800	68.6
Indonesia	253	1,300	5,200	56.0
Brazil	200	2,300	12,100	62.5
Nigeria	177	479	2,800	50.3
Russia	146	2,500	18,100	51.3
Philippines	107	454	4,700	72.6
Vietnam	94	359	4,000	68.9
Thailand	67	673	9,900	53.5
South Africa	48	596	11,500	63.8
Colombia	46	527	11,100	61.7
Argentina	43	771	18,600	55.5
Peru	30	344	11,100	62.4
Chile	17	335	19,100	63.2
Ecuador	15	158	10,600	62.4
Cambodia	15	40	2,600	74.7
Bolivia	10	59	5,500	58.9

Conclusion

For US consumer goods companies, the global opportunity that lies ahead is immense. Winners will be determined largely by the ability of their senior management to navigate and prosper in new markets, some of which may not currently figure prominently in their plans. Businesses that promote a global mind-set throughout the organization and ensure that the level of cognitive and transcultural diversity in senior management matches the breadth of diversity in the countries in which they operate will be significantly better positioned to excel in an increasingly complex global economy. ■

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Acknowledgments

The author wishes to thank professors Mansour Javidan and Paul Kinsinger, of the Thunderbird School of Global Management, and Maryam Shahabi for their contributions to this article.

Consumer Markets Practice

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