



## CHARACTER IS AT THE HEART OF GLOBAL LEADERSHIP

By Professors Stewart Black and Allen Morrison – March 2013

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Ironically, most people think that the higher you go, the more authority and control you have. But our research finds that in today's complex, global environment, the higher you go, the more you get things done because of the goodwill and trust you develop, not because of your formal authority. As one C-suite executive put it to us, *"I can make proclamations all day long but the world is just too big. There are too many places to hide. By the time I find out that they are not following through in Russia or wherever, it's too late. It takes goodwill and trust--it takes personal relationships--to really make things happen on a global scale."*

Our research identified two primary aspects of personal character that lead to the trust and goodwill needed to get things done in a global business today.

### **Emotional connections**

Global leaders need to establish personal, empathetic relationships with people from all backgrounds inside their company, and in the broader community. Doing this requires three distinct abilities: sincere interest in other people, a heightened ability to listen, and a strong capacity for understanding different viewpoints.

#### *Sincere interest in others*

Our research found that effective global leaders actually like people – all kinds of people. They enjoy talking with people and being around them. They care about people and want in some way to make their lives better. All of these attributes help them to form better business relationships, which are a critical part of doing business in many countries.

International customers buy a relationship, not equipment, David Janke, vice-president of business development at Evans & Sutherland, told us. "We're not selling equipment: we're selling somebody's career, because she's got her neck on the line. She is buying something and making a large investment," he said. "If it doesn't work, everybody points the finger at her, so she wants to deal with a company and people ... that she trusts."

#### *Genuinely listening to people*

Being interested in people is not the same as genuinely listening to them. As one executive recently told us, "It can be too easy when you are in a leadership position to do all the talking." Yet, for others to feel understood, leaders must excel at picking up verbal and non-verbal communications. They must also overcome the "everyone thinks the same" assumption, which suggests a superficial understanding of the aspirations, interests, and feelings of other people.

#### *Understanding different viewpoints*

Understanding people requires leaders to relate personally to the lives of their employees, customers, and others who are relevant to the business. It means understanding context and, more specifically, how to provide appropriate leadership within it. For example, how a 40-year-old American expatriate manager delegates to a 35-year-old Japanese subordinate with a U.S. MBA should differ significantly from her delegation to a 55-year-old Japanese subordinate with no U.S. experience. To succeed, the American manager should pay much greater deference to the 55-year-old Japanese subordinate.

Establishing emotional connections is an essential part of effective global leadership, but this is not the same as "going native." Leaders who are interested in people, who are excellent listeners, and who are familiar with local conditions and traditions do not have to become like the people they are with. While they need to keep an open mind, they should never forget who they are or what they represent.

### **Integrity**

Integrity forms the bedrock of character and is essential in establishing genuine emotional connections with people. We define integrity as having and demonstrating a strong commitment to personal and company standards. This includes ethical behavior as well as loyalty to the company's agreed-upon values and strategy.

Both personal and company standards are substantially more prone to compromise overseas. When far removed from corporate oversight and routines, most managers face increased pressure to modify their personal ethics and alter their unit's standards to appeal to local values and demands. In most cases, such "flexibility" can bring short-term gains. Yet, despite the opportunities

for short-term advantage, the global leaders we studied were most effective when they consistently maintained the highest ethical standards in personal and company matters.

#### *External relationships*

Ethical behaviors in relationships outside the firm pose particularly difficult challenges in a global context. There can be considerable differences between the dominant behaviors of a particular culture, and judgments about appropriate behaviors, regardless of culture.

When leaders' ethical standards are different from a country's behavioral norms, they and their company have three basic choices: avoid doing business in that country; maintain their own standards and risk being placed at a competitive disadvantage as a result; and change their standards to play the game the way the locals do.

Our experience suggests that this last option, maintaining a checkerboard approach to ethical standards, is not sustainable in global companies. Questionable behavior in one country can rarely be contained. Eventually the entire world finds out. Global leaders understand that global companies have global reputations, and need global standards of conduct.

#### *Internal relationships*

High ethical standards should also guide behavior within the company. Matters such as worker safety, fairness in hiring and promotions, and freedom of expression are all part of the environment leaders help create for employees.

Global leaders must demonstrate their high personal standards in all their internal interactions within the corporation. These standards cannot vary by country; managers will lose respect if they treat people inconsistently.

They will also lose respect if they criticize their company's strategy or its other leaders. We encountered numerous examples of this, including the vice-president of a Fortune 50 company who told local managers in Brazil all about the company's problems with its CEO. She went on to criticize the company's strategy and suggest several new alternatives. Why did she do this? No doubt, for a combination of reasons. She believed there was merit in what she said. But she also felt a need to be accepted by a group of people she did not know, and felt that her critique would impress them with her intelligence and insight. She also thought it highly unlikely that her words would ever make their way back to headquarters.

After the meeting we asked participants what they thought, and found universal condemnation of the visiting executive. They viewed her as disloyal and arrogant. They had expected a leader to give them direction and fire up their commitment. Instead, the meeting was a major disappointment. In reality, with few exceptions, leaders are also followers and must support company policies and management.

Leaders who lack integrity can destroy a company much faster than a leader who does not have a good strategy. Short term compromises – whether in matters of the environment, bribery, shoddy quality, or abusive labor practices – may bring temporary benefits, but invariably cost dearly in the long run. They can undermine relationships with customers and government agencies, and tarnish the company's reputation for years to come.

The most effective global leaders combine enormous insight into people with strong moral character. Such leaders are superbly skilled at building trust and goodwill, both inside the company and in the community as a whole. And, because trust and goodwill are critical to business success, character is the natural starting point for any discussion of global leadership competencies.

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*This is an edited extract from a chapter in Black and Morrison's forthcoming book, The Global Leadership Challenge.*

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