

Successfully Managing Innovation Through Cultural Diversity

By Diane Leibinger

Leaders of American-based global companies are increasingly aware that they must adapt their management skills and business focus to ensure their continued success. This article will explore how today's leaders must resourcefully handle cultural diversity while implementing innovative processes in the planning, organizing, leading and controlling of their companies in preparation for the first quarter of the 21st Century.

There is mounting evidence to indicate that successful organizations cultivate an adaptive entrepreneurial culture. These company leaders actively encourage innovation and cultural diversity. To maintain a competitive edge innovative ideas must be encouraged, generated and implemented throughout the entire company from the janitor to the CEO. As discussed in the book [Finding Your Own North Starⁱ](#), **what used to succeed in business** was: consistence; routinization; enormous size; hierarchically controlled information; insistence on rational logic; reliance on tried and true methods; and cultural conformity. **What succeeds in business these days** is: flexibility; **innovation**; lean structure; open communication; tolerance for incongruity; openness to new ideas; and **cultural diversity**.

It is widely acknowledged that new processes, skills and talent are needed for managing in the 21st century. Leaders are recognizing they must reevaluate their current company strategies and revise or completely change them to ensure their continued success. The **overall planning** process performs a crucial role for innovation and cultural diversity in the strategy formation of a company's new or revised mission, goals and plans. It is not just the CEO and immediate staff coming up with ideas. Successful companies recognize the importance of the workforce and cultural diversified groups in their role to participate, identify, agree and implement the company's mission and strategies. Including various levels in the planning process provides the opportunity as stated in Fast Company's magazine article [The Old Economy meets the New Economyⁱⁱ](#) - of "bringing together diverse groups of people who have a common vision, passion, and commitment to take on the world. As an old company, that's one thing we need to capture and replicate. There's no substitute for people who have a common vision and passion". Leaders of the future will need to become skillful in effectively handling diverse group dynamics as business becomes more global. Winning leaders reevaluate their company's current position by conducting a **SWOT analysis** of their strengths, weaknesses, opportunities and threats in new innovative ways for the preparation of their future strategic planning. As Jim Champy, Chairman of Consulting at Perot Systems Corporation wrote in the Computer World magazine article [Focus on Tomorrowⁱⁱⁱ](#) "You must begin to consider all of your processes, but, this time, not just within the walls of your company.... the days of the Internet are just beginning. The next round of business performance enhancement is at hand. What is required is aspiration, combined with time, money and lots of persistence." No

longer are senior executives exclusively developing strategic and operational goals for the company - participation has expanded to all levels within the company as well as outside to their customers and suppliers. American-based company leaders are also including their international counterparts in the planning phase to ensure that the company mission and strategies will be a global fit and a success. Leaders of the future must ensure they manage diversity by planning and implementing **organizational systems** that provide an opportunity for all employees to participate and contribute. Creative thinking leaders promote the use of **horizontal coordination** in the organizing process to achieve their company goals. Horizontal coordination assists in processing information across the company, which helps to encourage innovation. New ideas are more likely to be generated from a variety of views. Awareness of problems and opportunities in other areas may produce a new idea. By involving people in the development process of ideas they are more willing to support the implementation of the idea, strategy or process.

In order to gain a competitive edge in the international market, American companies with overseas business units must maintain a strategic focus on managing international human resources and adjusting **leadership styles** accordingly. The selection criteria for sending US managers on overseas assignments should extend beyond technical skills. Successful companies recognize that although these are important; **relational skills** - the ability of expatriates to relate and communicate effectively with host nationals is essential in order to be a successful leader and encourage innovation. The essential communication skills in a global environment include the motivation to learn the host country's language and the ability and desire to understand and interact with host nationals about subjects that are of particular interest to them. They must appreciate cultural differences and be able to adapt their leadership styles accordingly to local customs. Considerations such as the **power distance index** should be used to determine the desired leadership style for a particular country. Subordinates in high power distance countries (Mexico, India) expect leaders to act autocratically and have more privileges than workers. Subordinates in medium power distance countries (USA, Japan, Italy) expect to be consulted, but will also accept some autocratic behavior while low power distance countries (Sweden, Denmark, Israel) expect to be consulted on most issues, with preference to a participative democratic style of leadership. Understanding **communication styles** is essential in creating an open environment that encourages innovation. It is important to recognize that in high context cultures such as in Mexico, India and Japan, communication focuses first on the relationship aspect before actual business is conducted. In low context cultures such as the USA, Canada, and Germany, the focus is more on the exchange of information rather than relationship building. Not only is the spoken word important so is silence. The Business Spotlight magazine

article [Participating in Meetings^{iv}](#) emphasizes the importance of understanding what silence may mean. The article discusses the cultural aspect of silence and how it is perceived. In Sweden or Norway, silence may indicate a tacit agreement, while in UK it may be a sign of distance and possibly disagreement. The article goes on to say "never assume that people have understood or agree with you if they are silent after an explanation. Ask "was I clear?" to elicit a response that will clarify a person's position". As managers spend a great percentage of their time in verbal communication, successful global leaders recognize the critical need for strong listening and feedback skills.

Managers must also deal with how to employ **controlling functions** in an organization without stifling innovation. Four major methods of control typically used by innovative managers are: **belief systems** - communication and enforcement of mission statements; **boundary systems** - policies, rules and procedures; **performance management systems** - ensuring that set goals have been met; and **interactive monitoring systems** - encourages focusing on promoting new opportunities and developing new strategic capabilities.

The successful companies of the 21st Century will be those that recognize the importance of having the right leaders with the right skills to effectively encourage and manage innovation through cultural diversity.

About the Author

Diane Leibinger is currently an independent consultant, with prior work history as a Senior Specialist Business Consultant with Perot Systems Corporation and management consulting at Price Waterhouse. She has over 20 years business, leadership and project management experience in the planning, analysis, design, training, and implementation of banking, manufacturing, travel & leisure and telecommunication systems. Originally from the United States, for the past 11 years Ms. Leibinger has lived and worked in France, England, Germany and Switzerland.
Diane.Leibinger@bluewin.ch

ⁱ Martha Beck, [Finding Your Own North Star](#) (New York: Crown Publishers, 2001), 12.

ⁱⁱ "The Old Economy meets the New Economy", [Fast Company Magazine](#), Oct 2001, 74.

ⁱⁱⁱ Jim Champy, "Focus on Tomorrow", [Computer World Magazine](#), 28 Aug. 2001.

^{iv} Bob Dignen, "Participating in Meetings", [Business Spotlight Magazine](#), Ausgabe 4/2001, 76.