

Upward communication and senior leader behaviour – the possibilities and challenges of developing an inclusive, open culture within a multinational enterprise

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Abstract

This document will review the comprehensive title under four aspects: With a growing globalisation, what are the current challenges for leaders in a multinational enterprise and what is their supposed Zeitgeist of leadership to handle these. It will be evaluated how to engage in upward communication and how the distributed leadership could change an organisational configuration in the future.



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1. Current challenges for leaders in a multinational enterprise

In March 2018, 11 countries signed the Trans-Pacific Partnership (TPP) trade agreement (NHK, 2018). In 2016, the European Union (EU) and Canada did sign the Comprehensive Economic and Trade Agreement (CETA), one of the latest global trade bloc, adding to the long-established trading-blocs like in Europe, the EU itself or NAFTA in North America (Gajaria, 2017).

The trade agreements show that the globalisation is an ever-growing factor within the current business world. Despite recent protectionism, "nobody is an island, the global economy is closely networked." (Dieter Kempf, 2018), this implies two things: First an organisation could extend easily, due to trade deals like CETA, into other countries and second that the home market of any organisation is most likely exposed to competition from other countries. During such a process of cross-country trading it must be regarded, that the organisation is most likely also crossing culture borders, and in doing so, may need to adjust their goods or services accordingly. But there is also a strong need to look inside the organisation and check if the current setup of communication and leadership style is suited for the cultural environment of the new subsidiaries. The current organisation's culture will be most likely influenced and in line with the country the organisation was founded in.

As Triandis (1993) said: "There is a need for leadership and organisational theories that transcend cultures to understand what works and what does not work in different cultural settings." In reflecting this, the organisation crossing the cultural borders needs to ensure their organisation is showing the appropriate behaviour and products for the countries they operate in, for example, their subsidiaries and reflect on each culture surrounding it. In doing so, it could result in customized strategies for each country and its cultural aspects, this may be hard to establish in a functional organisation, as it will lock in departments in a global "Silo", allowing little local differentiation which is required for other cultures and their behavioural needs. (Tett, 2015).

In addition to this layer of complexity, working with, for example, a central headquarter with its own strategy in place and an abroad subsidiary with another one surrounding it, leaders are faced with an ever-growing complexity (Galbraith, 2012) in nearly all industrial sectors. This could come from the growing and more embedded computerisation, which basics are challenged from the rise of quantum computing (Ugo Dal Lago, 2010), the increasing interconnection of the world and speed of information that goes with the current information technology. Or the increasing science advancement, for example, in medicine, requiring one of the most widespread jobs in healthcare to be trained to a specialisation level (Beighton, 2015). In the sum, these complexities do not allow the leader to be the specialist in all work fields of his subordinates, and this can result of not knowing where things are going wrong in the organisation daily.

Although there are usually many theories suggesting how to solve a particular problem in the industrial sector (once the problem has been identified and formulated), it is a challenge for leaders to select and apply one theory within their company. A leader needs to evaluate why a theory was created, and what is the implied (technological) change in the field or is it a change of current business paradigm? (Bodroz & Adler, 2018). The resulting change within the organisation could cause some friction and may generate new problems, or target the attention to another, previously existing, problem. The leader needs to understand and know how to judge and work on all the existing problems, at least from a summary level of those to decide on a proper business strategy direction. The next chapter will show some suggestions how these topics should be organized and addressed in a current organisation.

2. Suppose Zeitgeist of leadership

The first step for a leader would be to ensure that the organisation is not working (any longer) in a functional structure, where senior management is overly involved in daily business routines, not allowing them to focus on their main duties, like envisioning the future strategy and how to implement such. Further functional structure does not allow for much flexibility to adapt to local markets or environmental change, which is crucial for a Multinational Enterprise (MNE), and failure in doing so could result in withdrawal from market regions.

The organisation could be setup in a divisional structure, allowing individual (sub-) divisions to diversify and be more flexible to the local market and further allowing specialisation within countries/markets and not within functional “silos” which are locked-in. This can further be extended to be a Matrix style organisation, creating multi reporting path within an organisation and an internal market for knowledge and “goods”. Further, the Idea of a report multinational enterprise (MNE) (also called multinational (MNC) or transnational corporation (TNC)) has been rising over the last decades, the defining factor is an enterprise which has companies in at least two countries. It is suggested that the relationship between the main headquarter and foreign subsidiaries is open to local business strategy variances and therefore allows to exploit local competitive advantages. These enterprises tend to have common goals (also or especially on the in-country levels) which could be established by positive reinforcement and employee involvement. The MNEs have many touching points in their political and social environment and are (at some size) also being expected to consider issues like environmental hazards, further enforcing a public picture of being and doing good which employees should be able to relate to and hence positively identify themselves with the company (Dowding, 2011).

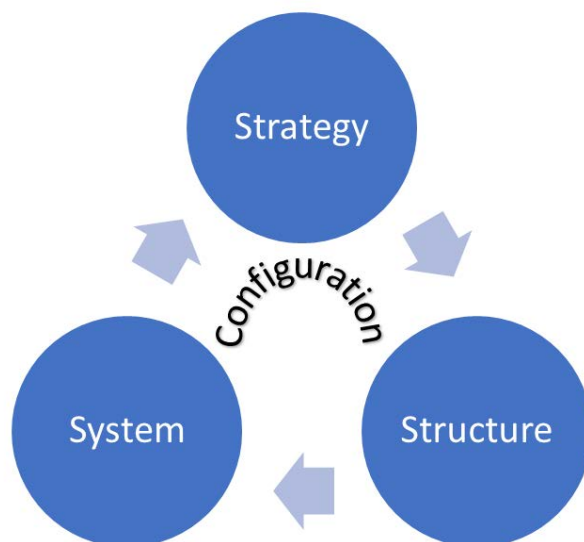


Figure 2.1 Interaction of system, strategy and structure: the configuration. Source: Author, 2018.

Figure 2.1 shows the interaction and dependencies of the structure, system and strategy leadership needs to consider for driving an organisation successfully forward. The sum of all these three pieces can be called configuration.

Leadership was defined in the project GLOBE as “The ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organisations of which they are members. Simonton (1994, p411)” (House, Javidan, & Dorfman, 2001). The legacy model of the leadership, and this does refer more to the entire

leadership body rather than to an individual leader, where leadership had all the answers and was always “in the know” is not current anymore due to the factors as described above. Leadership must be more conscious about its environment, politics, culture, and encourage individuals to perform to their best and therefore allowing the enterprise to achieve its highest level of performance. Leadership style should be charismatic / transformational (Bolden, 2011), focused on building strategy rather than working and emphasising “hard controls” over their subordinates, in the latter case making employees not feeling fully valued and thus decreasing overall productivity.

The local leadership and direct management should be able to adapt any pieces of business practice or processes that passed down from the parenting company, where all effective communication need to be formulated with cross-cultural transfer in mind, allowing any outcoming action to be implemented by members of various cultures. Adjusting it to local needs and making sense of the strategic direction given by the top management. This process needs to be done transparently so it would lead to higher leader acceptance. In turn, this increased leader effectiveness will influence leader acknowledgement and the leader(ship) is more likely to be accepted by most subordinates. This leads to the conclusion that subordinates that do not accept their leader will leave the organisation voluntarily or be dismissed (House, Javidan, & Dorfman, 2001).

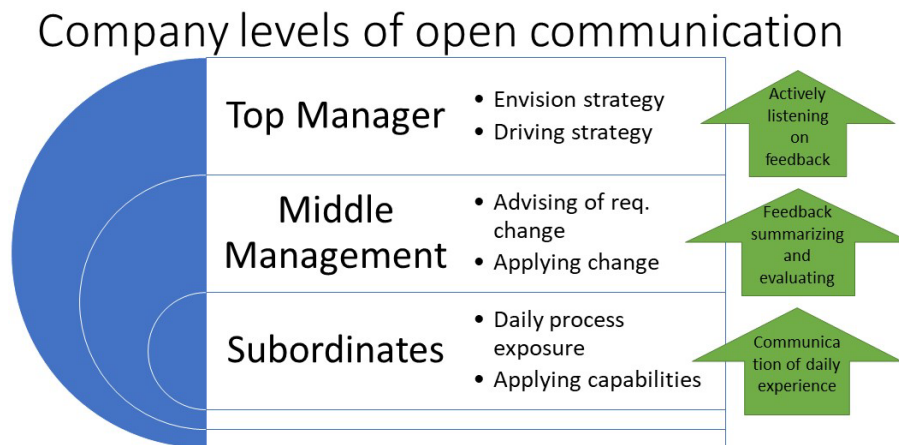


Figure 2.2 – Suggested company levels of open communication. Source: Author, 2018

So far, we have described positive structures and systems for an upward communication in an enterprise, instead of the old top-down communication manner and leadership. This will be of great value for the strategy evaluation.

As part of the strategy process, a change kaleidoscope should be used, looking at time, scope, preservation, diversity, capability, capacity, readiness and power (Balogun & Hope-Hailey, 2008). As shown in figure 2.2, the subordinates can greatly add to this process with their communication of the daily experiences working with the current process/mechanisms setup to produce the goods or services. The feedback would be in all three areas of the strategic evaluation: Is the current strategy addressing open issues (suitability), how is the performance outcome/return (acceptability) and can it be done (feasibility). This crucial information will only be given if two things are considered: Openness and acknowledged dependency. Openness must come from the top managers, who are actively listening to and searching for feedback. This openness must transfer down to the middle management and the team leaders to allow the communication to flow upwards. The same goes for the acknowledge the dependencies from the leadership of the employees as described in “Critical reflections on the good, the bad and the ugly of organisation leadership: the case of Wal-Mart” by Cheryl Anna and Adrian N. Carrb (2010) or Freud’s “Project of leader’s Ideas onto the individual” are both arguing, that the power from the master is none existed without the slave. Also, this is not to be taken literally in today’s organisations, it shows the



interdependency of both parties. Senior leadership needs to create a climate to establish and encourage upward communication - All Subordinates need to feel comfortable to submit feedback and leaders need to acknowledge their dependencies of subordinates input to manage their organisation successfully.

3. Challenges of developing to an upward communication

Despite all the efforts of an organisation to establish an upward communication, there may be obstacles that need to be considered and require additional actions like, example given, training. As with all communication, we have two sides to review, in this case leadership and subordinates.

An approach that the right people from leadership and subordinate side should be hired in the first place, but with an established, large organ this will seldomly be the case. This section will highlight aspects, that could hinder an upwards communication flow.

The medium and time when an upward communication is delivered is very important to its desired outcome. Leaders work with multiple information channels, email, telephone, memos and meetings, and only some of them may be open to receiving feedback, probably giving the subordinates the impression that their problem or feedback is not taken seriously. An issue in this relation is filtering: When the message is transported via a line manager or their staff, like secretary, and not communicated directly, there is the risk that the message is either never delivered or represented wrongly or at the wrong time, example given before a big event the leader is focusing on, probably leading to dismissal. (Green & Knippen, 1999)

The educational differences are another potential issue of effective upward communication; The differences could cause issues when terminology or specific business experience is not known to understand the current process, resulting in unnecessary information (Vitez, 2018).

One factor could be the lack of a shared and comprehensive overview of the organisation and relationships to externals like suppliers. An example for such a situation would be the leadership approach on these topics in a need-to-know approach¹, trying to protect items that provide a competitive advantage and deemed to require secrecy. In such a case, the feedback provided would not be able to consider all facts, as some of them are hidden in secrecy and ultimately could miss a crucial point and render the feedback unusable.

Looking at the communication between manager and subordinate, it could be that they are from a different cultural background. This would set different expectations about when or if to “speak up” to management, described in the Project GLOBE (2001) as “Power distance”, one of the nine cultural dimensions. In Thailand, for example, the feedback process called “360 degree” includes feedback from subordinates and seems to be unworkable, as the local cultural power distance is high, resulting in the managers probably being insulted when rated by subordinates and subordinates having no interest or no good feeling when providing such feedback (Javidan & House, 2001). In most countries, there would still be feedback, but it probably needs to be adjusted or viewed in the context of the originating culture to be fully understood by higher leadership (Vitez, 2018).

Further, it needs to be considered that the subordinates should overcome any kind of power distance reservations and engage themselves in the process of providing upward communication. A few commonly circulated, but irrelevant ideas exist as to why subordinates ought to hold back feedback. Example given, that the line manager does not want to hear the feedback anyhow and, if feedback would be provided, it would lead only to a negative outcome for the individual (like a delayed promotion), the other that the supervisor would not

¹ <https://militarychildrenscollaborativegroup.org/military-terms-glossary/>

react to any queries anyhow and problems would be left unsolved anyhow (All Answers Ltd., 2017).

The best way to give feedback would be by the four steps as developed by Green and Knippen in 1999: First, it should be balanced, what the effect would be of not communicating an issue versus the effort to communicate and the expected positive outcome. The next step would be to determine why an issue was not communicated yet, example given, if the manager has contributed to the lack of communication. In the third step, the "how" should be considered, what skills are required, and if they are lacking, how to obtain these. The final step would be the regular participation in the upward communication, example given, tracking issues and reporting them back to leadership in meetings (Green & Knippen, 1999).

Leadership should do their steps to ensure employees feel comfortable to provide feedback. In a first step on their side, any actions that can be seen as intimidation should be dropped, so employees must not fear that speaking their true feelings about the organisation to their boss could be a disadvantage for them (Fenell, 2018).

A recommended management style would be "Ingratiator" as suggested by Kipnis et al (1988), who interacts with subordinates by influencing people and underlining friendliness opposed of the aggressive shotgun style, the bystander or the tactician, see figure 3.1 (Kuchinke, 2000).

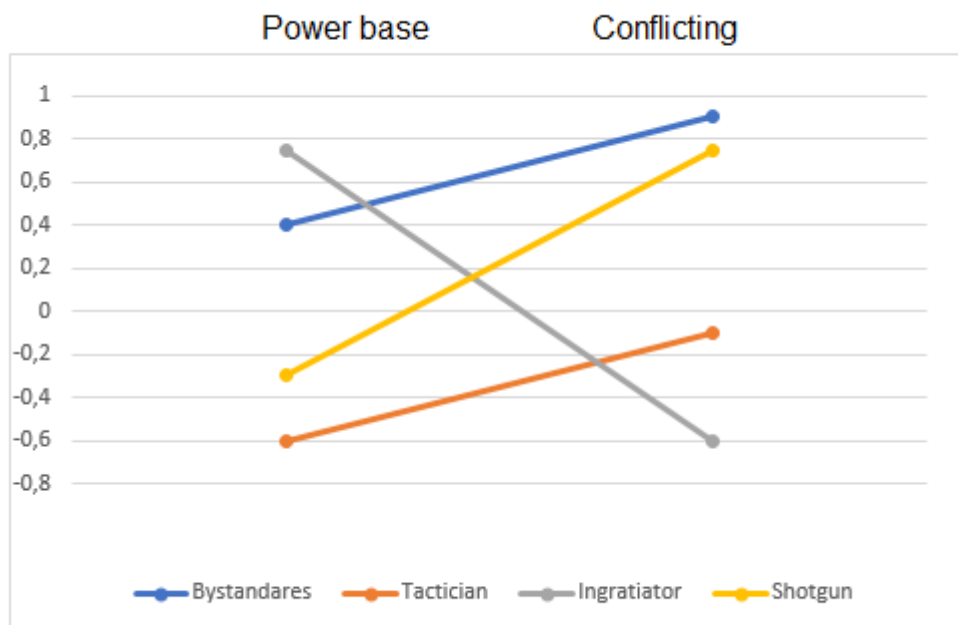


Figure 3.1 Relationship between power and influence styles and the political contexts;
Source: Adapted from Baiyin Yang, *Identification of Power and Influence Styles in Program Planning Practice*, Figure 2, Raleigh-Durham, North Carolina, 2000

Inspired by the open source community, the idea was born of an *open innovation* for organisations. In such a forum innovation is created, shared and discussed among knowledge workers from within as well as from outside of the organisation. In such a community the leaders can freely discuss and collaborate about innovation what would ultimately turn into next level management practice or paradigms. Existence of such a forum would further allow leadership to be open to input from all directions, working on a holistic approach to strategy visible for everybody. Regular timeslots where the forum would take place, would set aside time in the busy schedule of leaders to allow gathering input from all



directions and support the open and upwards communication culture. (Steiner, Morel, & Camargo, 2014/1 n13)

An approach for an organisation to enable leadership in an upward communication would be to integrate it in the commonly used performance tool: the balanced scorecard (BSC) (Poveda-Bautista, 2012). The BSC can be enhanced by adding Risk Indicators (called KRI), which is mainly done to ensure the financial performance, and in the case of upwards communication allow managers on all levels to react quicker and more openly to subordinate feedback, when in line with the KRIs given.

With feedback that leadership is receiving, there needs to happen a reasoning and a translation and prioritisation of, for example, how to work on challenges or increase value creation. For this, a change, however small or big, in the current organisation is required. As figure 2.1 shows strategy, structure and systems, there is the configuration of these three that is making an organisation work, giving it its competitive advantage.

Further, the McKinsey 7S need to be considered when doing any change, see Appendix A1.

One thing, an open communication will not be able to eliminate is whistleblowing. When an individual or a group within an organisation finds that the organisation is doing something socially destructive like e.g. breaking laws or finance wrong-doing (Vandekerckhove, 2006), especially on a large scale, the information could be handed over to bodies outside of the organisation, either a law representative and/or the press. To avoid such situations, that are most of the times damaging the organisations public image, the organisation should set up policies clearly stating to avoiding such wrong doings, and if they were discovered, a process should be establish that can be engaged anonymously, example given a dedicated review board (Fitch & Saunders, 1976).

4. Anticipated growth of distributed leadership

The upwards communication is, in theory, a tool that can be deployed in every organisational form, keeping in mind the most effective ones mentioned earlier.

Leadership gets increasingly complex, making it difficult for one person to handle as written in Chapter 2. Additionally, organisations that make themselves dependent on only one person (the chief executive officer (CEO)) (Carillo, 2017) will have to deal with the fallout of their wrong doings or weaknesses, which, being a human, is inevitable over time (Mannan, 2014). A complete revolution of an organisation, trying to solve this issue, would be the configuration called “adhocracy” where leaders and subordinates have little formal structure and are supposed to collaborate within each other (Mintzberg, 1990 Vol26 No3). This theory is recently more popular and developed under the name shared or distributed leadership (DLS) (Kocolowski, 2010) and applied in various sectors, but predominantly social, healthcare and education (Davison, et al., 2013). For a possible migration path, see figure 4.1.

The basic concept of DLS is a group of people, sometimes called teams, that is dealing with organisational goal(s) and archiving so by collaboration and mutually influencing each other, and most of the times resulting in an upward or downward action or influence (Conger & Pearce, 2003), those obligations and responsibilities would, in an incumbent configuration model, be seen with a single and central leadership person like the CEO.

The new teams need to be empowered via a team leader, who delegates sufficient autonomy and workload to all team members equally (Chen, Kanfer, Kirkman, Allen, & Rosen, 2007). Another upside would be the implied gender equality, a still intensifying topic, in a model where power is shared equally (Posadas, 2016).

The key benefit, other than the shared responsibility and power is the ability to split a complex issue and that can be distributed and processed, allowing for quicker and better solutions to be presented (O'Toole & Lawler, 2002).

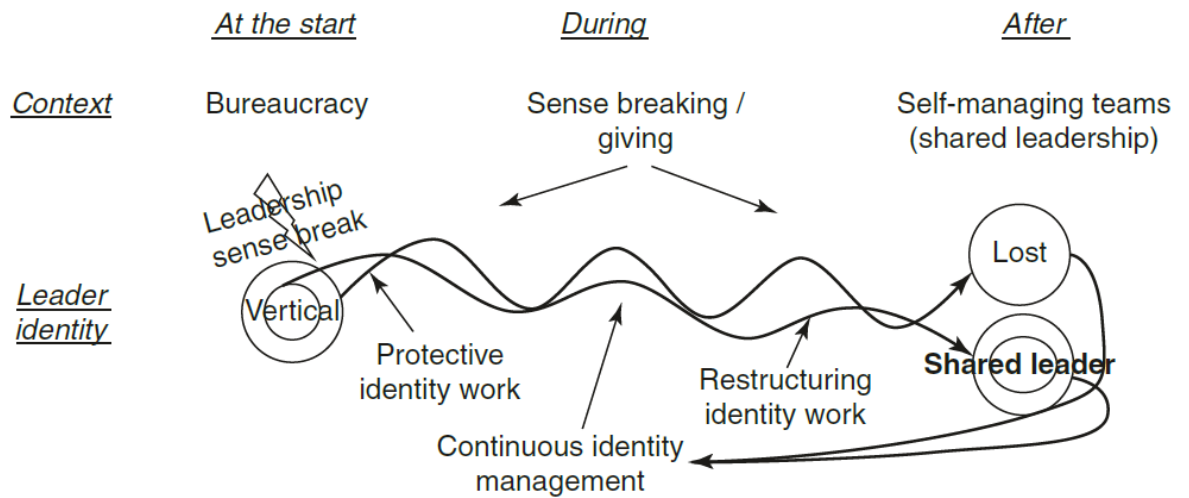


Figure 4.1 – Migration path to distributed leadership

Source: Adapted from K. Marichal; Chatwani, N., *Distributed Leadership the Dynamics of Balancing Leadership with Followership.*, Austria: Palgrave Studies in Leadership and Followership, Vienna, 2018, Figure 3.1, p. 64

However, these upsides come with the challenges of a distributed leadership, the obvious one during an implementation: The current view of the leadership, is that there is one CEO, who is running the firm and deciding everything heroically (Chatwani, 2018); Breaking this current established view will take efforts in nearly all cultures, but especially where power distance (see GLOBE findings above) is set high or medium like in Thailand. An introduction of DLS may be viewed as a disruptive “Revolution” alike the technical revolution organisations face today (Bodroz ic & Adler, 2018) rather than the “step by step” evolution or realignments the organisations perform today (Chatwani, 2018).

Leadership would require training (Graeme & Butler, 2000) in at least these five main topics to gain the best results: First, the (future) team members need to know or learn how to communicated with each other directly and in person. Second, the group needs to have trust among all team members to facilitate properly. Third, all members should have equal level of solidarity with each other. Fourth, all misunderstandings should be clarified promptly to reduce prolonged confusions among members. Fifth, everybody needs to possess skills to prevent and resolve team conflicts (Black & Westwood, 2004). Leaders new to the job would be expected to have the Skills as described in figure 4.2.

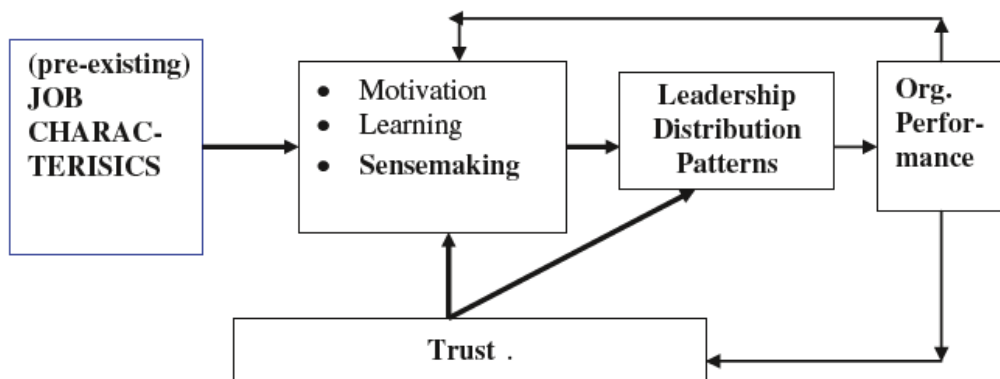


Figure 4.2 – Expected skill requirements for distributed leadership

Source: Adapted from Harris, A., *Distributed Leadership – Different Perspectives*, Toronto, 2009, Figure 8.1, p. 159



For the teamwork to be successful, all members need to understand the individual requirements towards them and do not underrate the complexity of the DLS process (Hall, 2001). More time could be required for collaboration and agreement. The team needs a suitable working direction, commitment to team and liability of team member to perform, these are challenges involved in shared leadership (Katzenbach, 1998). Further, constant reflection, that all team members should be equal in terms of decisiveness and workload would be expected in the beginning (Graeme & Butler, 2000).

However, in this setup the team can easier share issues with the external environment for their input as collaboration is an everyday process in it. With this capability, the organisation can and must consider the next challenges, like the role of business in society (PwC, 2018) or the data-driven business era (Carillo, 2017). Or the next leadership practice: Hybrid Leadership (Gronn & Harris, 2009), a theory highlighting distributed human conduct in DL, as it is not automatically democratic or (globally) fair to subordinates.

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6. Appendix

a) A1 – McKinsey 7S

In 1980, Waterman et al from McKinsey analysed changes and why they failed, and as an outcome suggested a new descriptive framework for an organisation, adding so called “soft elements/skills” to it: Skills, what organisational capacity exists and how it is being trained or what reward systems are in place. Further the style of leadership and staff, what kind of

people and organisation is made up of and how they are trained. At the heard of these six factors are the superordinate goals, the shared values that define the Corporate vision, a mindset that is shared by everybody in the organisation, the special way employees create value. (Waterman, Peters, & Phillips, 1980) One of the downsides, that needs to be kept in mind, is the by-passing of the direct leader, who would at least require the information as well to be in the loop what is happening in the organisation. Another issue could be flattery, where subordinates tend to feedback what their leadership is expecting or asking for, rather than challenging them with problems or suggesting improvements (Bizcommunication Coach, 2015).

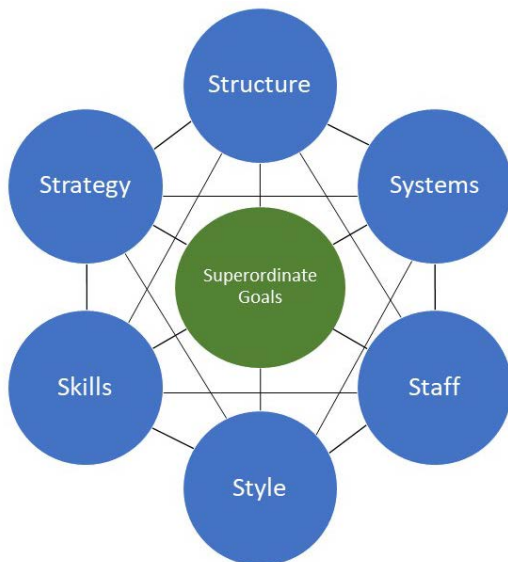


Figure 3.1: McKinsey 7S – Elements that make up an organisation, Source: R. Waterman, T. Peters and J. Phillips, 'Structure is not organisation', Business Horizons, June 1980, pp. 14–26: p. 18.

The article states, that only a change that is aligned to all these elements, can be successfully. Further this implies, when one change is identified for e.g. systems, all the other six elements need to be readjusted to guarantee success and acceptance within an organisation (Waterman, Peters, & Phillips, 1980). During these changes, it needs to be ensured, that the openness of the upward communication will not be impaired.