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## RISK AND REWARD IN THE ASIAN CENTURY

### Including culture on your Risk Register

1. Identify three risks to business success that your organisation faces because of below optimal levels of cultural competence.
2. How would you rate the severity or impact of each of the risks (Low, Medium or High), if they were to occur?
3. How would you rate their likelihood or probability over the next 12 to 18 months?
4. How does the possible impact of these risks compare with other more frequently identified risks already on the register?
5. What actions are being taken by your organisation to mitigate these risks?
6. Who would be the most appropriate 'business owner' of each risk?
7. Ask the same questions of a range of colleagues. Compile your results.
8. At your next business-planning forum, raise the issue of culture as a risk that merits inclusion on your organisation's Risk Register, if strategic goals are to be fully realised.

#### *A technology company decides to expand*

A rapidly growing company recently undertook a significant merger with a Chinese company in its sector. They then wanted to implement their strong processes across the business, as the obvious way of uniting different country operations within a shared framework, as well as securing efficiencies in scale through shared 'back office' functions. They felt these steps would keep them competitive in a price-sensitive market. It seemed logical and achievable.

But they'd assumed management practices, systems and procedures were somehow universal and immune to cultural variation. Instead, they found that culturally different ideas about how to manage performance quietly and effectively undermined any hoped-for consistency across their operations. In addition, the results of the UGM Trust Inventory revealed some worrying evidence of an unhealthy organisation. It emerged that the various cultural groups ranked trust components very differently from each other and held different views about what constituted 'trustworthy behaviours'. The result was a serious mismatch in assumptions and expectations about roles and relationships. This, in turn, led to recurrent misunderstandings and misperceptions of intentions, which threatened both performance and productivity. The anticipated value of the merger seemed unlikely to be realised.

#### *What's new and different about cases like this?*

There's an increasing shift in emphasis. The consequence of this shift is not simply the need for general attributes, such as the need to become more open-minded. It also requires professionals to develop a portfolio of quite sophisticated competencies that will help them tackle new areas of challenge. This includes high-level tasks such as managing post-merger integrations, building a high performance culture in virtual pan-Asian teams, or learning how to solve complex problems together, despite culture-based differences in thinking style.

Against this background, most management and leadership roles have also become much more demanding, as organisations in all sectors have streamlined their operations to secure the maximum efficiency possible in today's increasingly competitive global economy. This means managers constantly feel time-poor and pressured.

As this Asian Century unfolds, those Australians who can manage the kinds of culturally complex challenges outlined above will be in strong demand here and internationally. Obviously, it's not just Australia that is determined to seize the opportunities presented by the Asian century. In particular, Europe and the US are building an increased involvement with the dynamic economies of 'our' region. When UGM's Australian clients operate in Asia, this

almost invariably requires them to work effectively with Americans, Germans and British, as well as professionals from a wide range of other nationalities, including from the rich diversity of Asian countries themselves. For example, they may have colleagues who are Chinese, Indonesian, Malaysian or Indian, as well as some from Europe and North America. Borders are becoming more porous as organisations expand and merge interests, even temporarily, with others in their sector.

#### *What are the business implications?*

All too often, people are figuring things out on the job, often in retrospect, after an endeavour has either failed or failed to deliver its anticipated potential. It could be argued that this 'learning on the go' reflects a commendable resourcefulness and determination – attributes many Australians would like to feel belong to what is often termed an 'Australian ethos', or a 'can-do' attitude. Yet it also means that individuals are frequently learning alone and repeating missteps quite unnecessarily. For instance, a common reaction of UGM's new clients is that they didn't know how many of their experiences have, in fact, been heavily researched, with robust findings and a strong evidence base that could serve, at the very least, as a useful starting point. In other words, they are not alone, and there is no need for them to constantly reinvent the wheel.

#### *Culture as a business risk*

The trouble is most organisations still don't recognise culture as, in effect, a hidden risk within almost every aspect of their business plan. A major report on complexity published by the Economist Intelligence Unit in 2011 looked at the sources of complexity identified by senior executives working globally. The 12 sources examined included customer demands, dealing with regulatory authorities, managing multiple jurisdictions, increased stakeholder involvement across the globe, and complex, multi-country supply chains. Arguably, cultural differences will create hidden risks within each source. But, in the report, culture didn't rate a mention. It's written in wholly mono-cultural terms. The problem in culturally diverse projects is that, when a risk goes unnoticed, it also goes unmanaged.

Positioning culture as a business risk and including it on your organisation's Risk Register, is how it needs to be seen. While this new Asian century is certain to present Australia with significant economic, strategic and social opportunities, it is already bringing challenge and risk as well. Cultural differences run deeper and are more pervasive than many realise. The rewards are there for those organisations willing to develop the cultural competence that will help them address the challenges and mitigate the risks that are the inevitable companions of opportunity.