

**CULTURE**

# The Advantage of Expat Leaders for Culturally Diverse Teams in International Business

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*Cultural diversity is a proven major advantage for an international business firm.*

✔ **INSIGHT** | NOTE 11 Oct 2021

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Cultural diversity is a reality and an asset in international business. By the very nature of the work that crosses country borders, international businesses as varied as international airlines, oil and gas companies, and consultancy agencies bring together teams of people with different nationalities. It is well-documented that the cultural diversity of such nationality diverse teams gives these teams the potential to outperform more culturally homogeneous teams. The diversity of perspectives and experiences associated with cultural diversity can inspire better problem solving, higher-quality decisions, and greater creativity and innovation. At the same time, cultural diversity can also be a source of miscommunications and interpersonal frictions that stand in the way of effective team functioning. Guiding such teams in realizing their potential rather than suffering communication breakdowns is a key and specific team leadership challenge in international business.

Our research shows that team leaders that are foreign to the country they are located in (have a different nationality than the host country's) have an advantage in leading culturally diverse teams. Research on expats in international business shows that working in another country comes with a range of challenges learning to work in a different culture. In counterpoint to this, our research shows that these challenges also come with an advantage. Being exposed to intense cross-cultural experience means that expat leaders get high-volume exposure to and practice working with cultural differences in a way that local leaders from the team's host country do not get. In effect, working in another country can provide a "crash course" in working with cultural diversity.

Experience working in a cultural diverse environment is foundational to leading culturally diverse teams, because such experience makes people aware of cultural differences and the communication and collaboration challenges rooted in such cultural differences. It allows people to learn to not respond myopically to those challenges from their own cultural perspective only. By the same token, it also leads people to appreciate the importance of helping others to work with cultural differences and to see beyond their own cultural perspective. In short, experience with cultural differences allows leaders to develop the knowledge and skills required to lead culturally diverse teams. Thus, precisely because of the challenge they face learning to work in another country, expat leaders can be better positioned to lead culturally diverse teams in international business than local leaders.

We find support for these conclusion in our study of teams in an international airline. We surveyed 66 airline teams (surveying a total of 270 team members and their team leaders) located in a range of countries across the world. This survey gave us data about leader nationality and the country in which the team was located, allowing us to distinguish expat leaders (leaders with a different nationality than the host country's) and local leaders (leaders with the host country nationality). We also gathered data about team member nationality, which we used to compute a team cultural diversity index as is common in team diversity research. In addition, we asked team leaders to rate team performance using multiple survey items, for which we took the average as a team performance score. Because all this information was quantified, we could analyze through statistical analysis how leader expat versus local status in combination with team cultural diversity was related to team performance. What we observed was that team cultural diversity was more positively related to team performance (an indication that the team is able to realize the value in its cultural diversity) with an expat team leader than with a local team leader. This finding illustrates the cross-cultural experience benefits of being an expat leader.

This does not mean that if you are a local leader rather than an expat leader, yours is a lost cause. Local leaders do not get the “crash course” working with cultural differences that expat leaders experience, but they can build such experience over time working with cultural diverse teams. This too is what our study showed. Our survey included information about the leader's tenure with the team, which reflects how much experience the leader has working with a culturally diverse team. The logic here was straightforward: the more experience the leader has working with a culturally diverse team, the more the leader had the opportunity to learn to work with cultural diversity. What we expected was that extended experience working with the team would allow local leaders to “catch up” with expat leader as they gain more experience working with a culturally diverse team.

Statistical analysis of the combined influence on team performance of leader expat versus local status, team cultural diversity, and leader tenure with the team showed exactly that. The advantage that expat leaders enjoy over local leaders in working with culturally diverse teams is primarily observed in their greater effectiveness among leaders with shorter experience working with their team. Local leaders catch up with expat leaders in this respect as they gain more extensive experience with their team. Lacking the intense

experience with cultural diversity that expat leaders are exposed to, local leaders need more time to learn to effectively work with diverse teams, but given the time they can and do learn to operate at the level of expat leaders.

We see three clear take-aways from these findings for the leadership of culturally diverse teams in international business. First, assigning expat leaders to lead international teams comes with a distinct cross-cultural leadership advantage in the shorter term; expat leaders are better able to “hit the ground running” in leading culturally diverse teams than local leader. This may be a key consideration in leadership assignment for teams that are expected to operate with a more limited time horizon (e.g., a project assignment). Second, learning to lead culturally diverse teams takes time—at least for local leaders. This is a not a trivial insight, because it cautions against the impatience companies often display with team leaders in having a low tolerance for start-up problems. Third, at the root of these insights lies the importance of learning from experience. In developing the leadership of culturally diverse teams in international business, companies may actively seek to capitalize on this by ensuring that leadership development efforts include cross-cultural experience. Being an expat leader and more extended tenure with an international team are two ways of gaining such experience, but not the only way. Employees targeted to be local leaders of international teams may for instance routinely be assigned to roles abroad first. In addition, learning from experience is a matter of more than having the experience alone; individuals more focused on learning and development are more likely to benefit from learning experiences. Accordingly, companies do well to foster such a “learning mindset” with an emphasis on learning from cross-cultural experience in leadership development.



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