

Working in Emerging Markets: Opportunities and Blind Spots

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December 2018

Emerging markets represent a large and growing business opportunity for companies around the world. Between 2000 and 2012, the share of developing economies rose from a third of total world trade to almost half ¹. As a result, business people from high-income and emerging market countries increasingly work together. Their more frequent collaboration — across potential barriers of language, business culture, and wealth and social class, among other things — has brought both opportunities and challenges.

These new collaborations across the planet also lead to new challenges, which require new skills of intercultural communication and management across potential barriers of language, business culture, social class, etc. Being fluent in various cultures becomes an asset for any internationally active manager. The risk that needs to be managed is that business people from high-income countries can — often inadvertently — undermine their own effectiveness and damage their relationship with the local partners based on lack of cultural sensitivity.

One challenge in this process is that, for a number of reasons, receiving feedback on one's managerial performance from colleagues in a lower-income country can be harder than in one's country of origin.

- Picking up on cues about what behavior is welcome or frowned upon is more difficult in new and unfamiliar cultural environments. This leads to a challenging cycle in which the less well we understand the cultural environment, the more difficult it is to read the reaction to our behavior and to learn about the environment.

¹ *World Trade Report 2014*. World Trade Organization, 2014

- When a company enters a new market, country or region, there are often few leaders in the organization who are familiar with that new environment. So young professionals can base their learning less on their supervisors and mentors and need to acquire local knowledge and skills more independently.
- • The power and privilege that managers, business partners or investors from higher-income countries have when going into lower income countries can create an often under-estimated barrier to the acquisition of knowledge. These barriers emerge from two sources. On the one hand, those with more power and privilege tend to receive less frank feedback from others. This phenomenon is not limited to settings of emerging markets and represents a known challenge for people in positions of authority ², but it can be exacerbated in emerging market settings. On the other hand, research in psychology shows that having more power and privilege has a striking psychological effect: it makes us less effective at reading other people and our environment.

The first part of the note provides a brief introduction to the role that power and privilege can play in relationships between business leaders from high- and low-income countries. The second part provides concrete information and perspectives provided by people in emerging markets based on their experience working with people from high-income countries. Do they perceive a privilege gap, and if so, in what ways do they see people from high-income countries being treated differently from locals? What kinds of behaviors of business people from rich countries do they find welcome and effective? Do they believe that foreigners from richer countries make a positive difference to business in emerging markets? And what are opportunities they see for professionals from rich countries to become more effective?

The Role of Power and Privilege in Creating Dangerous Blind Spots

The Oxford Dictionary defines *power* as “the capacity or ability to direct or influence the behavior of others or the course of events” and *privilege* as “a special right, advantage, or immunity granted or available only to a particular person or group of people”. A simplified way of phrasing it is that **privilege is the unearned component of power**. Both of these related, yet distinct, concepts are going to be important in the following discussions.

An important thing to notice about privilege is that individuals typically cannot choose whether to have privileges or not - there is therefore no reason to feel guilty for being privileged. However, privilege is an important element that can and has to be

²A *Theory of 'Yes Men*, Prendergast, Canice (1993). *American Economic Review*, 757-770.

managed. Otherwise, this unearned component of power can convert itself into a blind spot that can hurt both the success of the business venture and the meritocracy of business relations.

When a person from a higher-income country undertakes business activities in a lower income country, different power dynamics can emerge that are not always easy to understand for the person who has the power. The most basic way these can emerge is due to the fact that people from higher income countries may have more - sometimes orders of magnitude more - financial resources than their counterparts from the lower-income country. Often, there may also be an expectation - true or perceived - that the person from the higher-income country may have the ability to provide important connections for business and other opportunities down the road. In addition, many countries have a history of colonialism or imperialism in which people from the colonizing or dominating country had strong privileges in the form of higher status and more legal rights than locals. These historical dynamics can sometimes still play out in the background even if they are unspoken.

These situations can develop in many different contexts. A Harvard Professor described to us an experience she had as an intern in a Cameroonian organization during college. When she accompanied her Cameroonian boss to meetings with donors, business partners or government agencies, their meeting partners would often direct most of their remarks at her, even though she was clearly much junior to her boss and was mainly there to observe and learn. This is one of the ways in which privilege can play out. Realizing that this was not a productive dynamic, she searched for a way to interrupt it. A simple solution solved this every time: when meeting partners addressed their remarks to her instead of her boss, **she would turn her head and look at her boss. The speakers would then follow her gaze and start speaking to her boss directly.** This simple trick can be used in many situations, and also represents a general way in which privilege can be used in a productive way: to direct attention towards those who are less privileged or have less access to power.

Another common example is that co-workers are treated differently by superiors depending on whether they are local or from a more advantaged country. For example, Claudio Ramirez, a research associate at Harvard Business School, recalled a situation when he worked as an analyst for a relatively large company in Latin America. He shared a desk and work tasks with a new co-worker, Richard, from the United States. Suddenly, the upper management officers of the company started coming by their desk asking Richard how things were going, whether he had any suggestions, etc. while completely ignoring Claudio who was working on the same tasks. Within months, Richard was promoted ahead of Claudio. These types of promotion patterns, in which locals climb the career ladder more slowly, are very common. While in some cases the foreign workers bring specialized skills that warrant such differential treatment, in other cases, these dynamics results simply from **heightened access to senior management by foreigners from richer countries.** The latter case is not only detrimental to the personnel morale, but also to efficiency, because it undermines meritocracy in the promotion process.

These examples illustrate the importance for international managers to be aware of situations in which privilege can distort the outcomes of a situation and to develop mitigation strategies to address them. What makes this particularly challenging is that when people are provided with privilege or power, they often do not perceive these privileges or powers themselves, even though they may be very apparent to everyone around them.

Studies have shown that power can make people less attuned to their social settings. In a series of randomized experiments, Galinsky and co-authors found that people who were put in a context of power reacted differently in several ways. (1) They were less accurate in determining other people's emotion expressions. (2) They demonstrated less of an inclination to adopt another person's visual perspective. When asked to draw an E on their forehead, they were less likely to draw the E in the orientation readable for the person in front of them (drawing it in a self-oriented direction instead). (3) They were insufficiently adjusting to others' perspectives in their interactions and less likely to take into account that others did not possess privileged knowledge to which they had access³. Another set of randomized experiments found that when put in a setting of power, people imposed stricter ethical standards on others, while at the same time practicing less ethical behavior themselves (e.g. by cheating more)⁴.

These findings that power tends to make people less attuned to their environment have important implications for doing business in emerging markets (and for leadership positions of power in general). When managers enter a new environment in which they enjoy increased power and/or privilege, they have to be particularly vigilant for blind spots, because two effects compound each other: the fact that going into any new cultural environment makes it harder to understand the context, and the psychological phenomenon that being in a situation of power can make it harder understand other people's points of view.

Implications of Power Imbalance

As discussed above, privilege is not something people choose or the fault of the person who has privilege. However, it is something that we can and need to manage. The first step towards that is to gain awareness of its presence and of tools to deal with our own privilege. There are two frequent responses to the presence of privilege that we now discuss in turn: guilt and blind spots. Both of these can have counter-productive impacts, and therefore, present not only a challenge to interpersonal relationships, but also business

³*Power and Perspectives not Taken*, Galinsky, Adam et al. (2006). *Psychological Science*, 17(12), 1068-1074. Randomly selected participants were instructed to recall and write about a personal incident in which they had power over others. This method has been shown to reliably manipulate a sense of power (see *From power to action*, Galinsky, Adam D., Deborah H. Gruenfeld, and Joe C. Magee (2003). *Journal of Personality and Social Psychology*, 85(3), 453)

⁴*Power Increases Hypocrisy: Moralizing in Reasoning, Immorality in Behavior*, Lammers, Joris, Stapel, Diederik A. and Adam D. Galinsky (2010). *Psychological Science*, 21(5), 737-744.

risks.

Noticing the presence of privilege may generate guilt. The income and opportunity gaps in the world are staggering. So when people from rich countries get to know the economic situation of those living in poor countries, feelings of guilt can be a natural reaction. However, contrary to common belief, feeling guilty is often not helpful in dealing with situations of privilege.

- A non-productive common result of guilt is to create distance between foreigners and locals in emerging markets. It is one of the sources that underlie the self-ghettoization of expats in many low-income countries. In the worst case, the discomfort related to the feelings of guilt can even lead business people to withdraw from doing business in emerging markets. A second, non-productive response to the discomfort of feelings of guilt is the attempt to explain away the privilege. Since it can be hard to accept that we may have benefits due to the luck of birth, there can be a tendency to rationalize such benefits. This can lead to downplaying the intelligence, capacity and ability of the local population.
- There are a number of productive responses to privilege that can at the same time also lead to a reduction in detrimental feelings of guilt. These include consciously using one's privilege to create value in places that have less access to resources, information or opportunities; creating opportunities for those with less privilege to be heard (such as in the example of the Cameroonian intern above); generating knowledge transfer; and honing the skill of noticing privilege and managing. The goal of this technical note is to provide a starting point for that.

Not noticing the presence of privilege may generate blind-spots. As discussed above, both due to the lack of local cultural knowledge, and due to the psychological effects, in which power literally makes us blind to the perspectives of others, privilege can result in problematic blind spots.

- A common result of such blind spots is to create the illusion for business people from advantaged countries that they are indeed smarter and more deserving because they are constantly treated as such by others around them. This is a very natural response to such treatment, but it can generate significant business risk. In addition, the blind spots can lead to disregarding local customs because the blind spots make us numb to social expectations. The results can be a lack of information and deteriorating relationships with local talent and business partners.
- To avoid such risks, there are specific skills and tools that can be learned to address the potential of blind spots. The first step is to be aware that when in situations of privilege and power, particularly in non-familiar cultural environments, managers need to pay extra attention to counter-balance the risk of blind spots. As a result of the privilege and cultural distance, managers will both get less feedback and are

less apt at reading the feedback they are getting. To gain a good understanding of the situation, managers therefore need to spend more time observing, listening, and asking questions than in their usual environment. Similar to the saying in car mirrors that state, “objects in the mirror are closer than they appear,” managers should remind themselves that “situations in settings of privilege are more complex than they appear.”

Survey Results

To counter-balance the lack of information flow described above, we conducted a survey of people in emerging markets who have experience working in business relationships with people from higher-income countries. One hundred participants from over 22 countries provided their views and shared advice for people from richer countries looking to do business in emerging markets ⁵. (See Figure 1 for a description of the socio-demographic characteristics of respondents). Respondents to this anonymous survey were from low or middle-income countries and had a large range of experiences working with people from higher income countries, including settings in which foreigners were their boss, colleague, client or business partner. (See Figure 2 for settings in which survey respondents interacted professionally with foreigners.). Respondents shared the type of feedback that can often be difficult to receive in one-on-one interactions.

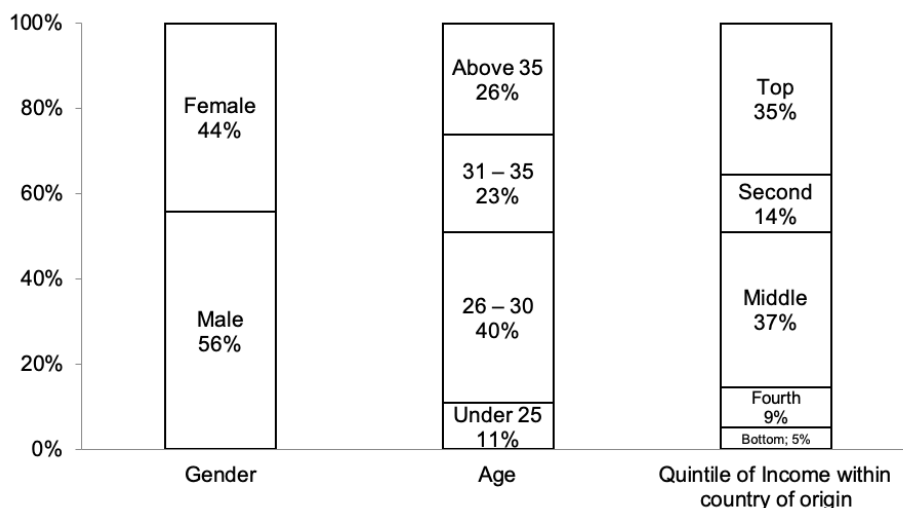


Figure 1: Demographics of Survey Respondents

⁵Survey respondents come from the following countries: Argentina, Bahamas, Botswana, Brazil, Chile, Colombia, Costa Rica, Ivory Coast, Dominican Republic, Ethiopia, Ghana, Hungary, India, Indonesia, Kenya, Mexico, Nepal, Pakistan, Peru, Philippines, South Africa, Thailand, Turkey, Uganda, Uruguay.

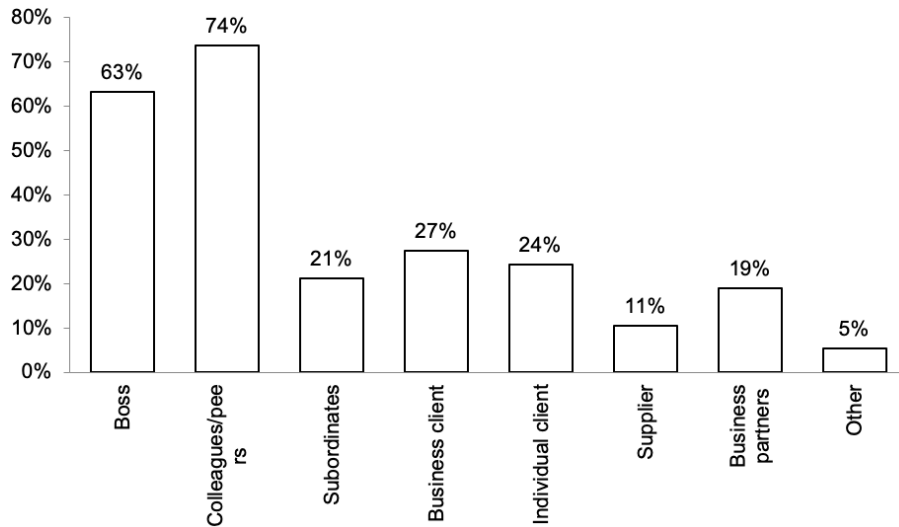


Figure 2: Respondents had experience with foreigners from higher-income countries who had the following roles

High Awareness in Emerging Markets about Privileges of People from Richer Countries

The survey results show that the issues of privilege and power discussed above are very salient to those in emerging markets doing business with people from richer countries. Respondents from low- and middle-income countries overwhelmingly perceive that foreigners from high-income countries are taken more seriously than locals and receive higher pay performing similar work (see Figure 3).

- Foreigners are taken more seriously than locals for the ideas and opinions they express.** An overwhelming majority of locals believe foreigners from richer countries are taken more seriously for the ideas and opinions that they express compared to the locals. 63% of the survey participants stated that this phenomenon occurred often, and 25% saw this happen sometimes. Only 12% stated that this happened rarely or never. This extends beyond company hierarchy and the boundaries of the firm: respondents reported that foreigners had not only better access to upper management, but also to clients, government officials, conferences and seminars.
- Foreigners are better compensated than locals for similar work.** There is also a strong consensus among respondents that their foreign counterparts from high-income countries are paid a wage premium for similar work. 81% of the participants believed that foreigners from high-income countries were paid higher wages for similar work, and 13% said this happened often. Only 6% believed this happens rarely or never. In addition to salary, respondents reported that this phenomenon

extends to other benefits such as living and working accommodations, health coverage, job flexibility, vacation days and personal security.

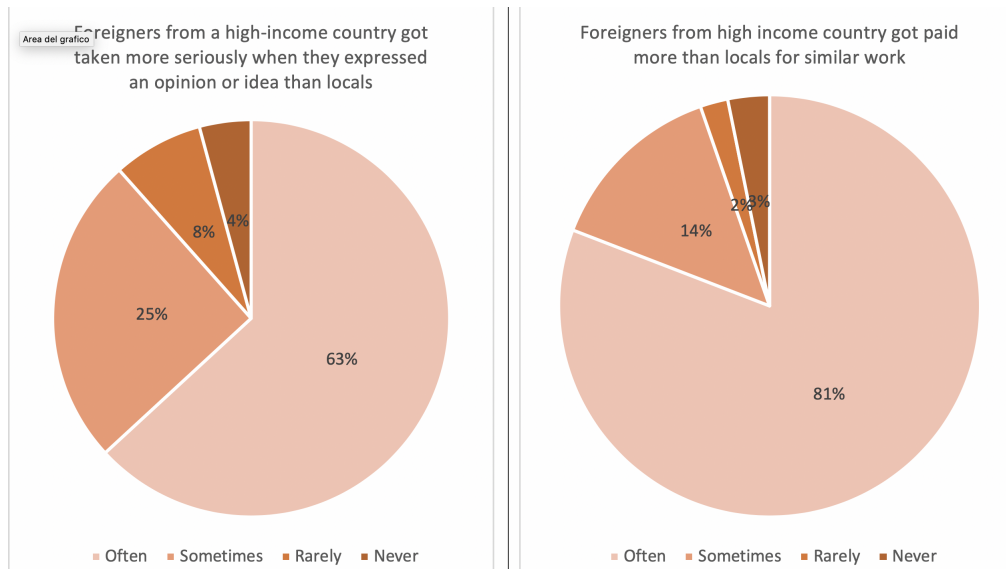


Figure 3: High Awareness about Privileges of People from Richer Countries

Large Gains from Inter-Cultural Trade

Despite the disparities discussed above, locals perceive that working with people from richer countries adds substantial value. Over 90% of respondents believe that foreigners from high-income countries add new perspectives and significant value to the business through their different culture and experiences (see Figure 4). This provides real opportunities for foreigners to make a significant impact. Foreigners from high-income countries will find attentive listeners if they are willing to share their knowledge respectfully.

In particular, our respondents allowed us to identify two factors that drive the upside of working with foreigners from richer countries.

- **Managerial habits.** We identified work ethic and openness as key aspects of the managerial habits foreigners bring in that makes work more effective. The majority of our respondents believed that foreigners tend to be action-driven, rigorous and respect others time by being punctual. Also, our respondents believe that foreigners could work more effectively by treating everyone fairly, irrespective of hierarchical or social differences. By keeping an open demeanor in professional conversations, foreigners can facilitate the incorporation of views from those usually relegated due to local social norms, while improving the work environment.

Through their different culture and experience, foreigners from a high-income country added new perspective and significant value to the business

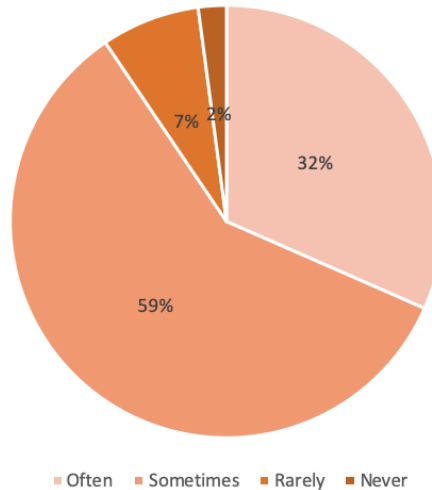


Figure 4: Large Gains from Inter-Cultural Trade

For example, one of our respondents valued that some foreigners did not adhere to negative social norms:

“They made novel observations and social commentary; they did not follow negative hierarchies or social biases and discrimination as the locals did; they questioned why things were the way they were; they explored and learnt and were open minded”

- **Willingness to share knowledge and experiences.** Locals valued that foreigners from rich countries were willing to share their experiences, and on occasions, even go beyond what was required of them to help locals gain valuable skills. Due to access to more opportunities, foreigners from rich countries usually have a more diverse range of experiences to contribute to the business. Our respondents believe this is a key asset to be leveraged while working with those who did not have the same kind of opportunities and acknowledged the efforts of those who were willing to share knowledge and experiences.

For example, one participant valued the experience of having international consultants:

“I remember one of our consultants was giving short lectures and presentation in professional development topics to local professionals. Some of those [local professionals] are now working around the world using the experience they have acquired.”

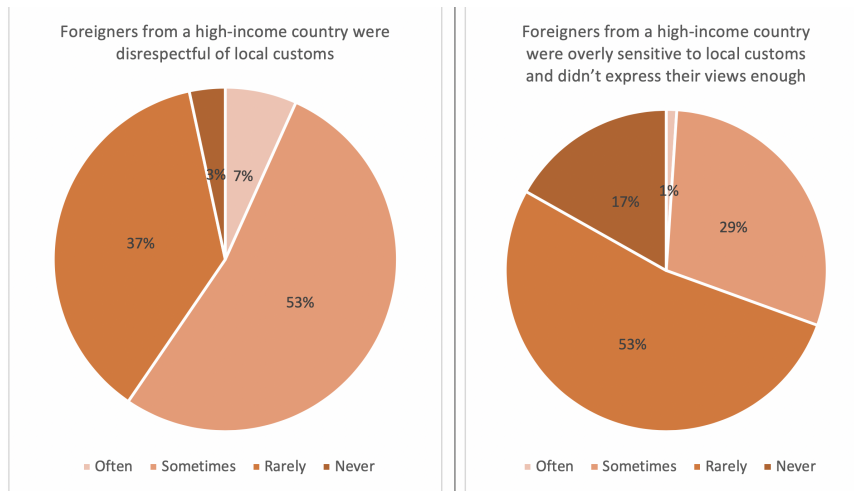


Figure 5: Dealing with Local Customs

How to Deal with Challenges

The previous section highlighted the potential of foreigners from rich countries to create value through business in emerging markets. However, respondents also emphasize that in order to be successful in this environment, managers need to be aware of their blind spots and show cultural sensitivity. 60% of survey participants experienced foreigners from rich countries who were disrespectful of local customs on more than a few occasions. At the same time, 30% of the survey respondents had also experienced that foreigners could be overly sensitive to local customs and didn't express their views enough (see Figure 5). Both being insensitive and being overly sensitive reflect a lack of knowledge on the part of the international manager. Key solutions to this inevitable cultural knowledge gap include the following:

- Be aware of your knowledge gap.
- Don't make assumptions.
- Ask questions.
- Listen.

While these behaviours may sound basic, 68% of respondents reported that foreigners often or sometimes assumed they knew more than they did and didn't ask enough questions (see Figure 6). Taking the time to listen and ask question may imply that it takes somewhat longer to come to a decision. However, this time investment often leads to higher quality decisions that are well-adapted to the local context. To get a head start in that direction, our respondents allowed us to identify key dos and don'ts:

- **Involve local knowledge in the decision-making process.** Respondents reported that sometimes foreigners from rich countries tend to disregard locals in the work place. Some respondents mention that foreigners from rich countries limit the involvement of locals in the workplace, preventing the transfer of key knowledge. Others report that foreigners from richer countries disregarded their opinions at face value. Not involving locals in decision-making may lead to significant knowledge loss and result in bad decision making.
- **Ask, listen, and don't assume you already know the answer.** Respondents overwhelmingly agreed that interacting with locals and asking them questions is the best way to gain an understanding of the new work environment. Over two-thirds of the participants believed that foreigners from rich-countries did not ask enough questions and assumed they knew things more than they did on more than a few occasions (see Figure 6).

For example, many participants emphasized the value of learning from locals:

“Listen more. Do not to assume things are transferable, and to try to really understand why some “best practice” may not work due to political interests or customs.”

“Ask, listen, and try to understand that ways of doing things are 2nd best responses to constraints that may not be obvious or visible for foreigners.”

“Always check your biases or priors. Do not constantly look for exits. Focus on micro-inequities. Be friendly, be fun, don't be a pushover, but recognize that you will be respected without demanding respect in most cultures. Get the work done well, listen to people, and you'll be creating an excellent work environment.”

- **Create an atmosphere of collaboration** Working in an environment with people with diverse backgrounds and experiences can be a valuable learning experience for all involved. Be willing to share your knowledge and experiences, and make sure to bring all parties involved into the conversation. The key is to ask open questions, especially in circumstances when it is hard to obtain feedback. Rather than asking, “Do you like this proposal,” a manager might ask, “Which of the following three proposals do you like best?” and “What do you like about it?” Another proven strategy to ensure optimal chances of receiving information is to initially withhold judgement as much as possible since an evaluative mindset can get in the way of gaining a deep understanding of the context.

Do	Don't
Involve the locals as equals	Make assumptions
Ask and listen, a lot	Underestimate local knowledge
Be willing to share knowledge	Confuse privilege with merit

Foreigners from a high-income country assumed they knew things more than they did and didn't ask enough questions

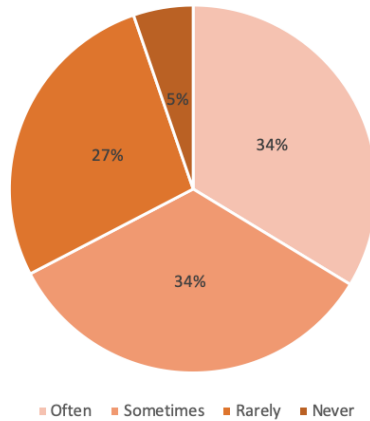


Figure 6: Asking Questions vs. Making Assumptions

Several other participants advised to keep local constraints and norms in mind

“Make a genuine effort in understanding constraints (capacity, time, resources, technology, language skills) under which governments or small organizations operate.”

“Don’t talk about local traffic / noise / pollution / markets in ways that make it clear you’d rather be back home.”

“Read the cultural, social, economic and political history from multiple sources.”

“Be aware that rules, norms, cause-effect relationship can change from high income country to low/middle income ones.”

“Don’t act like the problems of the low-income country are a great adventure or experience for you personally ”because it is so different from what you grew up like”. People who live those problems everyday may dislike that.”

Overall, respondents highlighted the benefits of creating an atmosphere of collaboration in interactions between foreigners from high-income countries and professionals in emerging markets. Survey participants pointed out significant privileges received by foreigners from high-income countries, both in terms of payment and promotion opportunities and in terms of the degree to which inputs from locals were taken seriously. Respondents pointed out that many international managers tended to assume they knew more than they actually did and correspondingly did not ask enough questions. At the same time, respondents also saw several ways in which interacting with foreigners benefitted them professionally. They appreciated international managers who listen to the local experts, displayed curiosity and openness to learn about local norms and customs, were willing to share their knowledge and experiences and made sure to bring all parties involved into the conversation.