

Contextual Intelligence

Whether as managers or as academics, we study business to extract learning, formalize it, and apply it to puzzles we wish to solve. That's why we go to business school, why we write case studies and develop analytic frameworks, why we read HBR.

I believe deeply in the importance of that work: I've spent my career studying business as it is practiced in varied global settings.

But I've come to a conclusion that may surprise you: Trying to apply management practices uniformly across geographies is a fool's errand, much as we'd like to think otherwise. To be sure, plenty of aspirations enjoy wide if not universal acceptance. Most entrepreneurs and managers agree, for example, that creating value and motivating talent are at the heart of what they do. But once you drill below the homilies, differences quickly emerge over what constitutes value and how to motivate people. That's because conditions differ enormously from place to place, in ways that aren't easy to codify—conditions not just of economic development but of institutional character, physical geography, educational norms, language, and culture. Students of management once thought that best manufacturing practices (to take one example) were sufficiently established that processes merely needed tweaking to fit local conditions. More often, it turns out, they need radical reworking—not because the technology is wrong but because everything surrounding the technology changes how it will work.

It's not that we're ignoring the problem—not at all. Business schools increasingly offer opportunities

for students and managers to study practices abroad. At Harvard Business School, where I teach, international research is essential to our mission, and we now send first-year MBA students out into the world to briefly experience the challenges local businesses face. Nonetheless, I continually find that people overestimate what they know about how to succeed in other countries.

Context matters. This is not news to social scientists, or indeed to my colleagues who study leadership, but we have paid it insufficient attention in the field of management. There is nothing wrong with the analytic tools we have at our disposal, but their application requires careful thought. It requires *contextual intelligence*: the ability to understand the limits of our knowledge and to adapt that knowledge to an environment different from the one in which it was developed. (The term is not new; my HBS colleagues Anthony Mayo and Nitin Nohria have recently used it in the pages of HBR, and academic references date from the mid-1980s.) Until we acquire and apply this kind of intelligence, the failure rate for cross-border businesses will remain high, our ability to learn from experiments unfolding across the globe will remain limited, and the promise of healthy growth worldwide will remain unfulfilled.