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Egalitarianism makes organizations stronger: Cross-national variation in institutional and psychological equality predicts talent levels and the performance of national teams ☆

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ABSTRACT

The current research examined whether cross-national variation in egalitarianism predicts talent levels and organizational performance. We propose that national variation in egalitarianism predicts country-level talent because egalitarianism influences policymaking at the institutional level and everyday social interactions at the psychological level. We compared the relative impact of institutional and psychological measures of equality using the context of international performance in the most popular worldwide sport – football (soccer). Both institutional and psychological measures of equality were associated with greater national team performance. Egalitarian countries also had higher talent levels, which mediated the link between egalitarianism and performance. Furthermore, psychological equality mediated the effects of institutional equality on performance: Countries with greater institutional equality had better performing national teams because they psychologically endorsed egalitarianism. Overall, the findings support a serial mediation model: institutional equality → psychological equality → top talent levels → performance. Importantly, psychological equality at Time 1 predicted the performance of national football teams at Time 2 more than a decade later. All of these effects held when controlling for a host of country-level variables. The forces of equality appear to be a critical driver of talent levels and ultimately performance. These findings demonstrate that both institutional practices and normative systems help determine talent levels and have important implications for organizational performance.
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Although highly skilled talent is often key to effective performance, teams, organizations, and societies often fail to capitalize on their available pool of talent. For example, a study of 40 global companies found that these firms identified insufficient talent levels in key strategic positions as undermining their capacity to perform at higher standards (Ready & Conger, 2007). In addition, a survey of more than 1300 executives in 23 EU countries by the Boston Consulting Group (2007) identified talent levels as the most important capability to strengthen, yet the one that was least well developed in most organizations. Perhaps not surprisingly, the failures in talent development are an increasing source of concern to CEO's; in fact, CEOs have been documented to spend over 20% of their time on talent issues (Economist Intelligence Unit, 2006). Because talent levels drive the performance of teams, organizations, and countries, it is important to understand if and how talent levels can be managed more effectively.

The present research investigates how the cultural context influences talent levels. We focus on one specific feature of culture – egalitarianism – which has been prominent in research on cross-cultural differences and research on status and power, but has not been examined as a factor directly linked to talent levels. Egalitarianism relates to the extent that societies provide equal rights to citizens and encourages norms and values that individuals are equal (Schwartz, 2014); egalitarian societies also are less likely to tolerate abuses of power inequality (Schwartz, 2001).

We propose that egalitarianism matters for talent levels because it influences policymaking at the institutional level and everyday social interactions at the psychological level. At the institutional level, egalitarianism reflects the initiation, enactment and enforcement of laws dealing with political rights, civil liberties, and discrimination. Societies with strong egalitarian institutions provide citizens more equal opportunities, thereby opening the doors to a larger and more diverse pool of talented individuals.

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At the psychological level, egalitarianism includes a shared system of norms and values that people should be treated equally irrespective of their socioeconomic, gender, or ethnic background (Schwartz, 2014). Societies that strongly endorse psychological equality may also facilitate the development of talent because they create more supportive climates that increase the motivation of otherwise stigmatized or underrepresented people to capitalize on their opportunities. For example, one study found that the extent to which multiculturalism is valued within organizations predicts the engagement and productivity of its minority members (Plaut, Thomas, & Goren, 2009). Another study found that sexist ideologies decrease opportunities for women (Brandt, 2011).

In the following sections, we present a model that identifies how different forms of egalitarianism may influence a country's talent levels. We then test our model in the context of cross-national differences in talent levels and the performance of national football (soccer) teams, which represents the most popular sport in the world with more than 270 million active players worldwide (FIFA, 2007). A national football team can be thought of as both a team and an organization. The actual performance unit is the team on the field. However, national teams are an output and representation of a larger organization: national football associations, i.e., the governing bodies for football within each country. These organizations are responsible for organizing national competitions and the selection of coaches, players, and training programs for participation in international matches. We believe that our model has equal implications for the talent and performance of both organizations and teams.

Our model contains a number of core hypotheses. First, we propose that institutional equality is an important predictor of organizational performance. Second, we suggest that the extent to which egalitarianism is *psychologically* endorsed as a normative system will also be an important predictor of organizational performance. Third, we predict that talent levels will mediate the effects of egalitarianism on organizational performance. Fourth, and building on recent research in economics, psychology, and sociology showing that cross-cultural differences are often determined by institutional differences (Acemoglu & Robinson, 2012; Gelfand et al., 2011; Siegel, Licht, & Schwartz, 2011), we propose that institutional equality effects on talent and performance will be mediated by psychological equality. Ultimately, our model is a serial mediation model. Finally, we hypothesize that psychological equality predicts performance over long periods of time because normative systems – once adopted – exert a continued impact on human behavior (e.g., Guiso, Sapienza, & Zingales, 2006; Schwartz, 2006).

The goal of the current research is to test our model for how egalitarianism impacts organizational performance. We hypothesized that institutional equality predicts psychological equality, which then facilitates the level of top talent and ultimately performance.

Cross-cultural differences in egalitarianism

An important source of cultural variation in cross-cultural research is whether cultures endorse "egalitarianism" or have strong shared societal views that see all people as moral equals in contrast to cultures that legitimize unequal distribution of power, roles, and resources on the basis of attributes such as wealth, gender, education and ethnic background. Egalitarianism can be reflected in institutional equality and psychological equality. Institutional equality is reflected in institutions that prescribe the formal rules and constraints to guide social interaction within a society (North, 1990). For example, countries with greater institutional equality provide better mechanisms to protect equal rights between its citizens such as the freedom of expression, belief or personal autonomy, and equal opportunities (Schwartz, 1999). Psychological equality constitutes a normative system that endorses the belief that "all people are of equal worth and should be treated equally in society" (Schwartz, 2001, p. 65; Schwartz, 2014).

We argue that institutional equality and psychological equality have important implications for talent development because they influence peoples' opportunities to develop their talent as well as their motivation to use those opportunities. As a result, more egalitarian countries should have greater levels of talent because they open opportunities for all parts of society and motivate those people to do well. By contrast, more hierarchical countries likely create inefficiencies as certain groups and individuals never get the opportunity to fulfill their potential or have their motivation undermined. If a key resource for high performance is talent, then cultures that facilitate higher talent levels will have a competitive advantage. The focus of the present paper is on how cross-national variation in egalitarianism, at both the institutional and psychological levels, affects the level of talent and the performance of national football teams.

Institutional equality

Countries differ in their level of institutional equality. We define institutional equality as the extent to which societal institutions provide different people and groups equal rights and opportunities. Countries can achieve greater institutional equality by creating mechanisms such as civil liberties and the separation of powers that limit the concentration of power in the state's elite (e.g. House, Hanges, Javidan, Dorfman, & Gupta, 2004). These institutions and policies provide its citizens with more equal rights and opportunities regardless of their ethnic, gender, or socioeconomic backgrounds (e.g. Boudon, 1974).

The idea that cross-national variation in institutional equality can increase talent levels is consistent with research on social networks, which shows that access to a more diverse set of contacts and institutions facilitates the adoption of practices that help people get ahead in life (DiMaggio & Garip, 2012). Unequal access to social networks often deprives people of opportunities and lowers their performance. For example, social networks have strong effects on employment opportunities (Marmaros & Sacerdote, 2002), CEO compensation (Shue, 2011), and student performance (Fletcher & Tienda, 2009). Social networks help reify inequality – their effects have been used to explain higher quality jobs for people with higher socio-economic status than for those with lower socio-economic status (Ioannides & Loury, 2004; Lin, 1999), for men than for women (Ensel, 1979), and for whites than for African Americans (Holzer, 1987; Korenman & Turner, 1996). In contrast, greater institutional equality increases the access to various networks and better connects people to the opportunities that could help them to improve their talent.

As a result, we propose that countries with greater institutional equality produce higher talent levels than countries that deprive a subset of its citizens access to opportunities. Institutional inequality leaves talented people from stigmatized or low-status groups left out. Until the 1980s for example, black football players were significantly underrepresented and underpaid in the English premier league, despite the fact that clubs with more black players performed significantly better (Szymanski, 2000). Recent research demonstrates that cross-national variation in institutional equality is also directly linked to the development of the most basic of skills. In a study exploring the gender differences in math ability, the gender gap favoring men was shown to disappear in countries that offered greater participation to women in economic and political life (Guiso, Monte, Sapienza, & Zingales, 2008). Thus, we predict that countries with greater institutional equality will have higher levels of top talent and better performing national teams.

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