



ADVANCES IN GLOBAL LEADERSHIP

VOLUME 4

**WILLIAM H. MOBLEY
ELIZABETH WELDON**

Editors

ADVANCES IN GLOBAL LEADERSHIP

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PREFACE

Welcome to Volume 4 of *Advances in Global Leadership*. Our objectives in this volume remain the same as in Volumes 1–3 of this series (Mobley, Gessner, & Arnold, 1999; Mobley & McCall, 2001; Mobley & Dorfman, 2003). We seek to advance the definition, conceptualization, and understanding of global leadership processes and the development of international and global leaders. As we move into the first decade of the 21st century, with the continued acceleration of a globally interconnected economy, the speed of economic transformation in China, India, and Eastern Europe, and the rise in geopolitical, nationalistic, religious, and cultural tensions, the need for effective leadership in all sectors is amply evident.

The relative dearth of leadership talent, the inadequacy of global leadership development processes and the continued derailment of international executives continue to challenge senior leaders in global companies. For example, both the American Chamber of Commerce in Shanghai and FESCO, the Shanghai government HR agency, recently cited the lack of management and leadership talent as the number one challenge for both multinational and domestic firms in China. These realities require better-developed models, definitions, measures, processes, and tools for understanding and developing leaders in the global economy.

This deeper understanding of multinational and global leadership requires among other things:

- Understanding the interplay among country and company cultures, corporate strategy, and stage of company- and business-unit development as well as individual differences among leaders, followers, and other stakeholders;
- Evaluating the generalizability of leadership and leadership development models from Western and non-Western cultures;
- Addressing virtual/distance leadership challenges of multinational organizations and teams; and how new technologies bear on leadership across multiple borders;

- Understanding multicultural and global leadership across national boundaries in non-traditional organizational structures, e.g. alliances and cross-cultural JVs;
- Encouraging greater communication among executives, leadership development professionals, consultants, and academics dealing with global leadership and leadership development;
- “Giving voice” to authors from, or working in, non-Western as well as Western cultures, and from emerging as well as mature markets.

This biennial series of high-quality original papers seeks to address these and other issues. Our intent is to provide a series that will be of interest and value to:

- Those leading in multinational settings;
- Those aspiring to lead in multinational settings;
- Academics teaching and researching in areas related to multinational and global leadership;
- Executive coaches and consultants working in the international leadership arena;
- Those responsible for developing multinational and global leaders;
- Those providing consulting and other services in support of the development of global leadership and global leadership processes.

Based on the feedback received from Volumes 1–3, we are reaching these multiple audiences and we believe Volume 4 continues to follow that path. The risk of our broad and eclectic approach is that there will be something of interest for everyone, but not everything will interest everyone. Our hope is that the selection of manuscripts will stimulate, pollinate, and challenge practitioners and academics, Westerners and non-Westerners, students, and leaders. We encourage you to read and reflect on the chapters that are out of your current comfort zone.

It is an honor and pleasure to join with Ellie Weldon in co-editing Volume 4. Ellie is a seasoned international leadership scholar and practitioner. She has lived and worked in Hong Kong, Beijing, Switzerland as well as the U.S. She has written extensively and conducted academic as well as executive education seminars on various aspects of international leadership. She has added great insight to AGL 4, and indeed has done the bulk of the work on this volume. Her biographical summary is included in the last section of the volume.

Thanks to each of the authors for contributing their insights, time, and energy to this series as well as their patience. The biographical summaries of

the authors are included at the back for the volume. Thanks also to Lena Wang and Kate Fang, my research assistant at China Europe International Business School (CEIBS), and now associate consultants with Mobley Group Pacific Limited in Shanghai. We particularly appreciate the support and patience of Julie Walker and the editorial team at JAI/Elsevier Science. We trust that the chapters which follow will be of interest and value to you. We welcome your feedback and suggestions for the future volumes.

William H. Mobley
AGL Series Executive Editor

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INTRODUCTION

Understanding global leadership is like connecting the dots of a leopard moving through the dense forest. (Morgan McCall)

Morgan McCall framed this metaphor for global leadership in Volume 2 of *Advances in Global Leadership* (Mobley & McCall, 2001). Over the ensuing half decade, more dots have been connected, but a clear line of sight on this moving leopard of global leadership remains elusive. The accelerating “sea-change” that James Abegglen (1994) cogently forecast, means that the leopard of global leadership is moving faster than ever, adding increased urgency to better connecting the dots.

Consistent with our objective to gain insights from authors in various parts of the world, we are honored to have authors in this volume from China, Hong Kong, Netherlands, Spain, Singapore, Switzerland, Taiwan, and the U.S. to help us connect the dots. This group of accomplished academics and practitioners has lived and worked in multiple continents and multiple organizational contexts and do indeed provide us with multiple perspectives that will help us overcome our inherent cultural lenses that Boyacigiller and Adler (1991), among others, cautioned us about.

Among the dots being clarified or connected in this volume are:

- Further insight into the construct of *global mindset* (see e.g. chapters by Pucik and by Stewart Black);
- Understanding the leadership implications of *cultural differences* in *emotions* (see chapter by Schyns & Meindl), *cultural values* (Hanges et al.), *personal values*, and *organizational values* (Zhong et al.);
- The global *generalizability of leadership competencies* (see e.g. the chapter by Campbell);
- The timely issue of *ethics and integrity* (see e.g. the chapter by Morrison);
- Dealing with the *competing demands* on international leaders (see e.g. chapters by Black; Shih et al.; Sendelbach & McGrath);
- Further insights into *leading in specific cultures* (*China*, see chapters by Zhong et al. and by Fernandez; *Egypt*, see chapter by Youssef & Luthans);
- *Learning processes* (see e.g. chapters by Gilbert & Lorange and by Black).

These themes also are evident in Volumes 1–3 of *Advances in Global Leadership* and you are encouraged to refer to these volumes as well. The table of contents from the three earlier volumes are included at the back of this volume.

In reading the various chapters in this volume, it is helpful to recall the framework formulated by Dickson, Hanges, and Lord (2001) for understanding the culturally divergent views of global leadership. They suggested that some *leadership principles* are *universal* (i.e. *the construct and its expression are similar across cultures*, but ... others are *variform* (i.e. the general principle holds but its enactment varies across cultures). They go to say that some *functional relationships* between leadership constructs and various criteria are *universal* (i.e. *the strength of the relationship is the same*), whereas others are *varifunctional* i.e. the magnitude of the relationship varies across cultures. Indeed, the House et al. (2004) GLOBE studies document a number of universals, variform universals, functional universals, and varifunctional relationships. And, we will see more examples of each in the chapters that follow.

As in Volume 3 (Mobley & Dorfman, 2003), we continue to use our definition of global leadership as *influence across national and cultural boundaries*. We have divided the chapters in Volume 4 into two sections: Section I: *Foundations of Global Leadership*, dealing primarily with psychological, social, and organizational constructs and processes; and Section II: *Leading Globally*, dealing primarily with the practical problems associated with leading internationally. The classification of chapters into one or the other of the sections is somewhat arbitrary, since a number of chapters deal with fundamental constructs and processes as well as implications for the development and practice of global leadership. A brief introduction is provided ahead of each section and we will offer some further thoughts in the conclusions section.

We trust that you will find value in the chapters to follow. Enjoy the continuing journey of connecting the dots of global leadership.

William H. Mobley and Elizabeth Weldon
Editors

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**PART I:
FOUNDATIONS OF GLOBAL
LEADERSHIP**

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INTRODUCTION: FOUNDATIONS OF GLOBAL LEADERSHIP

The seven chapters in Part 1 focus on the foundations of global leadership. Together, these chapters explore a broad selection of the social and psychological processes underlying effective global leadership. These authors expand ideas currently in use, and they introduce new ideas for our consideration.

In Chapter 1, Paul J. Hanges, Peter W. Dorfman, Gary Shteynber, and Archie L. Bates III, propose a new cognitive model to explain the impact of cultural values on preferred leadership styles. After reviewing the schema-based explanations currently in vogue, Hanges et al. describe the new connectionist models developed by cognitive psychologists. According to Hanges et al., these new models provide a more accurate picture of the cognitive processes underlying cultural differences. Moreover, this new approach should improve our understanding of cultural differences, because subtle differences in preferred leadership styles can be explored.

In Chapter 2, Birgit Schyns and James R. Meindl explore the challenges that global leaders face when trying to manage emotions in cultures that are different from their own. As Schyns and Meindl explain, effective leaders must manage their own emotional displays and influence the emotions of their followers. After reviewing the importance of this emotion-management work, Schyns and Meindl analyze the challenges that global leaders face when performing emotion-work in foreign cultures. They note the difficulties of reading emotional displays, knowing which emotions to display, and displaying emotions in culturally appropriate ways. Finally, they describe the kind of research that must be done to address these issues.

In Chapter 3, Chen-Bo Zhong, Hui Wang, Anne S. Tsui, Jiing-Lih Farh, and Borshiang Cheng consider the ways that personal values and organizational cultures interact in Taiwanese and Chinese companies to influence organizational commitment and citizenship behavior. Research conducted in North America and Europe shows that the match between personal

values and the organization's values is an important determinant of organizational commitment. With a good fit, people are more satisfied, they are better organization citizens, and they are less likely to leave.

But Zhong et al. found that this result does not hold in China and Taiwan, where many people hold traditional values, but accept the need for modern organizations where change, innovation, and risk are valued. As they discovered, people working in more modern organizations are more committed and exhibit more extra-role behavior compared to those working in more traditional companies, regardless of how modern or traditional their personal values are. These results suggest that the Chinese see the need for modern organizations even if they hold traditional values. Therefore, Chinese business leaders should not be afraid to build modern organizations and select traditional people to work in them.

In Chapter 4, Vladimir Pucik helps us see what might be done in global companies to create global mindsets among leaders in the firm. First, he explains why global companies need managers who appreciate both the local and global demands of their businesses, and he shows how companies can help leaders develop this global mindset. He goes on to explain what should be done to motivate managers to act on this global mindset and how organizational systems should be designed to support their actions.

Although Pucik makes many important points, his ideas about global networks struck me as some of the most useful. According to Pucik, relationships among managers from around the world provide the social architecture required for the effective functioning of a global firm. These relationships highlight the importance of global thinking, motivate managers to act on their global mindsets, and help managers cooperate and coordinate their actions when required. According to Pucik, managers should be encouraged to interact through international assignments, cross-border project teams, communities of practice and other arenas which support face-to-face interaction.

In Chapter 5, Linn Van Dyne and Soon Ang look at social networks from a different perspective, as they consider the boundary-spanning role that global leaders can play in effective global firms. Global leaders span boundaries when they transfer information and local points-of-view across the company through their social networks. They also connect people in different parts of the world to share information and cooperate when required.

The bulk of Van Dyne and Ang's chapter is devoted to a model of effective boundary-spanning behavior comprising five testable propositions about the impact of personal characteristics and job characteristics on a leader's boundary-spanning behavior and the perceived effectiveness of that

behavior. These propositions provide clear direction for future research on this important topic.

In Chapter 6, Joyce S. Osland and Allan Bird introduce us to Gary Klein's research on expert cognition and show us how it might be applied to improve our understanding of effective global leadership. Klein's research shows how the information-processing patterns and decision-making processes of experts differ from novice decision makers. Osland and Bird review the key differences for us, and then show us how expert global leaders might differ from those with less experience. In the remainder of the chapter, they build on this analysis to suggest how expert global leaders might be identified and developed.

In Chapter 7, David P. Campbell considers the universality of leadership behavior in this era of rapid globalization. Although he recognizes that leaders must adapt to local ways, he feels that mastering universal leadership competencies is essential. These universal competencies can be divided into two categories – those that each leader must possess and those that can be delegated or accessed through others. He describes each competence and suggests that leaders should focus on these universal competences, while adapting to local conditions.

Together these seven chapters make a fine contribution to our understanding of the foundations of global leadership. By analyzing the social and psychological processes involved, these authors help us understand the key issues facing global leaders today. We will encounter many of these same issues again when we explore the practice of global leadership in Part 2.

Elizabeth Weldon
Editor

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CULTURE AND LEADERSHIP: A CONNECTIONIST INFORMATION PROCESSING MODEL

Paul J. Hanges, Peter W. Dorfman, Gary Shteynberg
and Archie L. Bates, III

ABSTRACT

In this paper, we discuss a new information processing model of culture and leadership (Hanges, Lord, & Dickson, 2000). First, we review the older cognitive categorization approach that has been used to explain the relationships between culture, preferred leadership attributes and follower behavior. Then we present a new model based on the connectionist theory of information processing. This model focuses on the connections between concepts in a cognitive network, rather than discrete schemas. Finally, we use the new model to suggest strategies that managers might use to manage a diverse workforce.

In this chapter, we discuss a new information processing (IP) model of culture and leadership and show how this model leads to fresh perspectives regarding how leaders can capitalize on the increasing cultural diversity found in today's global organizations. This model, called "A Connectionist Model of Culture and Leadership" was introduced by [Hanges, Lord, and Dickson \(2000\)](#) to explain how leadership behavior interacts with societal

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values and organizational culture to influence the reactions and behavior of followers. This new model is based on *connectionist theory*; a theory that is increasingly used in a variety of disciplines such as cognitive science, cultural anthropology, and linguistics (Strauss & Quinn, 1997; Miller & Read, 1991).

First, we briefly review the older cognitive categorization model of culture and leadership. This model uses cognitive categorization processes and discrete schemas to explain the effect of culture on leadership and follower behavior. Then we discuss the basic elements of the new Hanges et al. (2000) connectionist model, which is based on more recent connectionist models of IP. Connectionist models focus on connections between concepts in cognitive networks rather than discrete schemas. We show how this new model provides a more parsimonious conceptualization of the relationship between culture and leadership than the traditional cognitive categorization models. We also describe three empirical studies used to test this new model. We conclude with a discussion of the implications of this new model for helping leaders identify new strategies for managing diverse workforces. Because we are discussing a relatively new IP model of leadership and culture, there will be many new terms introduced in this paper. To aid the reader, we have provided a glossary and examples of these terms in Table 1.

CULTURE AND LEADERSHIP

Over the past two decades the importance of the interconnection between effective leadership and culture has become clear. For example, the globalization of the workforce and the creation of multi-national corporations by merging companies from different cultures (e.g., the DaimlerChrysler Corporation) has forced HR and OD practitioners to recognize the cultural limitations of organizational and leadership practices. Similarly, the globalization of the research community has increased the salience of culture as a potential boundary condition to our scientific constructs and theories. Indeed, the leadership literature is no exception and an increasing number of researchers are discussing the impact of culture on the effectiveness of leadership practices (e.g., Gessner, Arnold, & Mobley, 1999; Hofstede, 1991; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Leslie & Van Velsor, 1998). Dorfman (2004) and Chemers (1997) reviewed the international literature and assessed the generalizability of leadership theories, behaviors, and processes across cultures. Both these authors report mixed results. While some behaviors, such as “supportive leadership” or transformational leadership (Bass, 1997) appear to produce similar effects across cultures,

Table 1. Definitions of Terms.

	Term	Definition	Example
1.	Activation weights	The <i>strength</i> of the connection between network units. The stronger the activation weight, the greater the likelihood that one unit will also activate the other unit	If the attribute “participative” has a strong association with the attribute “trustworthy,” then a participative leader is also likely to be perceived as trustworthy
2.	Connectionist architecture	The pattern of interconnection among a network’s units. Also referred to as a connectionist network	See Figs. 1 and 2 in this chapter
3a.	Cognitive categorization model	A traditional information processing theory that asserts that people recognize and categorize objects through a matching process. These older symbolic models suggest that people have unique schemas stored in memory for each category or classification	People can distinguish between the attributes of business and religious leaders because these leader categories activate different schemas in memory. For instance, one’s religious leader’s pattern may have the attribute <i>trustworthy</i> , while one’s business leader’s pattern might include the attribute <i>achievement oriented</i>
3b.	Connectionism	A relatively new IP theory based on the belief that complex cognitions emerge from the dynamic activation of multiple interconnected units	People can differentiate between business and religious leaders because they activate slightly different patterns among the same set of leader attributes
4.	Cognitive models	A general term for organized information patterns stored in memory. They aid in the perception and interpretation of new information as well as the recall of prior information	See 3a and b for real world examples of types of cognitive models
5.	Culturally endorsed implicit leadership theory (CLT) profiles	A group-level extension of a leader schema CLT profiles refer to the leadership schema content that is shared among members of an identifiable cultural group	Citizens from Nordic societies tend to agree that leaders should be participative, whereas citizens in Arabic countries tend not to have participative leadership as part of their CLT profile

Table 1. (Continued)

	Term	Definition	Example
6.	Implicit leadership theory	A cognitive theory that asserts that leadership perception is a function of the match between an individual's behavior and the attributes that people have in their leadership schema	"S/he is a good leader because s/he is very participative," which, in your mind, is key to effective leadership
7.	Network units (leadership attributes in this paper)	The building blocks of a connectionist network. It is the activation pattern among these units (which we have conceptualized as attributes, behaviors, and values), which form leadership schemas	See Figs. 1 and 2 in this chapter. Also see #1 in this table for relationship among units
8.	Schema models (cognitive categorization versus connectionist)	A particular type of mental model hypothesized to aid in the categorization of objects or people. They include collections of <i>attributes</i> regarded as typical of objects or people	Schemas can exist for many types of leaders such as business leader versus military leader
9.	Schema content	The specific attributes believed to be typical of some object or classification	The content of the leader schema might include such attributes as <i>directive</i> , <i>dependable</i> , <i>trustworthy</i> and <i>achievement oriented</i>
10.	Schema structure	The specific pattern of connection among the attributes contained in a schema. Some attributes are more central in that they are always activated and seen as critical attributes of the category. Other attributes are more peripheral in the structure; thus, they are seen as low to moderately diagnostic of the category	See Figs. 1 and 2 in this chapter

other behaviors, such as “directive leadership,” seem to have culturally specific consequences (Dorfman, 2004).

Researchers have attempted to explain the often complex interplay between culture and leadership (e.g., Chong & Thomas, 1997; Leslie & Van Velsor, 1998). For example, the GLOBE project has shown that the degree to which some leadership behaviors such as participative leadership are perceived as an effective leadership style is a joint function of both organizational and societal culture (Javidan, House, & Dorfman, 2004). More specifically, participative leadership is viewed as a more effective leadership style in societies and organizations that have a more egalitarian (i.e., low power distance) culture (Carl, Gupta, & Javidan, 2004; Dorfman, Hanges, & Brodbeck, 2004) compared to those that value hierarchy.

Given these empirical findings, the question still remains, what is the process by which culture and leadership interact to influence individual reactions? In the present paper, we take an IP approach to address this question. Of course, using an IP perspective to understand culture’s effect on leadership is not new (e.g., Chemers, 1997; Erez & Earley, 1993; Lord & Brown, 2001; Lord & Maher, 1991; Shaw, 1990; Smith & Peterson, 1988). Indeed, Robert Lord and his colleagues have been discussing and testing an IP leadership perspective for nearly 25 years (Lord, Foti, & DeVader, 1984; Lord, Foti, & Phillips, 1982; Lord & Maher, 1991; Lord & Brown, 2004). In the present chapter, however, we discuss a new model (i.e., the connectionist model) of IP to explain the relationship between leadership and culture.

While connectionist models have been discussed in the cognitive literature for almost 20 years (e.g., Rumelhart & McClelland, 1986; the PDP group, 1986), application of this model to understand applied psychological phenomena has only recently been attempted (e.g., Hanges, Lord, Godfrey, & Raver, 2002; Lord & Brown, 2004; Somers, 1999). For example, Hanges and his colleagues developed a general connectionist model to understand the psychological mechanism by which gender stereotypes and personality influence biased ratings of women leaders (Hanges, Lord, Day, Sipe, Smith, & Brown, 1997; Sipe & Hanges, 1997). Applications of these models are suggesting new measurement approaches and initial findings are yielding very promising results (Ziegert & Hanges, 2005).

Before we discuss this new model, however, we will describe the older *cognitive categorization* IP models developed by Lord and his colleagues. Researchers have used these older models to understand how culture moderates leadership effectiveness. After discussing and reviewing this work, we describe the Hanges et al. (2000) connectionist model.

THE COGNITIVE CATEGORIZATION THEORY OF CULTURE AND LEADERSHIP

Robert Lord and his colleagues (e.g., Lord et al., 1982, 1984) developed their IP theory of leadership close to 25 years ago. Following work by Rosch (1975), Lord and colleagues argued that the beliefs about and attributes of an effective leader are clustered together in memory structures called schemas (Lord et al., 1984). A schema is defined as a “cognitive structure that represents knowledge about a concept or type of stimulus, including its attributes and the relations among those attributes” (Fiske & Taylor, 1991, p. 98). Identifying the characteristics that make up a person’s leadership schema is believed to be important, because the content of a leadership schema determines who is perceived as a leader and who is not (Dorfman, 1998; Erez & Earley, 1993; Fiske & Taylor, 1991; House, Wright, & Aditya, 1997; Shaw, 1990). This determination involves a cognitive categorization process, which is used to match the attributes and behavior of a potential leader against those defining the “prototypical” leader in the follower’s leadership schema. The better the match between the leader’s attributes and the follower’s leadership schema, the more likely it is that a person will be considered a leader (Lord & Maher, 1991). Once the label of “leader” is ascribed to a person, that person gains social power (Cronshaw & Lord, 1987) and the label triggers causal attributions and assumptions of the person’s ability to motivate and direct others (Konst, Vonk, & Van Der Vlist, 1999).

Early research focusing on the content of individuals’ schemas showed that although schema content varied across individuals, because of differences in their experiences, values, and personality (Lord & Brown, 2004), some content is shared. Similarities across individual schemas are especially likely to be found when those individuals are sampled from intact groups. Indeed, Shaw (1990) and others (House et al., 1999) have argued that culture is a major determinant of the commonality found in leadership schemas for individuals from the same cultural group.

Shaw (1990) outlined three effects that culture can have on leadership schemas. He hypothesized that culture affects (a) the attributes believed to be typical of leaders (i.e., schema content), (b) the cognitive complexity and differentiation among the schema content (i.e., schema structure), and (c) the level of automaticity involved in processing a leadership encounter. While Shaw (1990) identified these different effects, the empirical research conducted under this classic IP approach, unfortunately, has only examined the first one.

The Effect of Culture on Schema Content

Several studies confirm the hypothesized influence of culture on the content of leadership schemas. A study by O'Connell, Lord, and O'Connell (1990) found that culture plays a strong role in influencing the leader attributes and behaviors perceived as desirable and effective. Their study specifically examined the similarities and differences between Japanese and American conceptions of useful leadership attributes. For the Japanese, the traits of being fair, flexible, a good listener, outgoing, and responsible were highly rated for leadership effectiveness. For Americans, traits of intelligence, honesty, understanding, verbal skills, and determination were strongly endorsed.

A study by Gerstner and Day (1994) also provides evidence that ratings of leadership attributes and behaviors vary across cultures. University students from eight nations identified the fit between 59 attributes (previously identified from Lord et al., 1984) and each student's image of a business leader. As expected, attributes that were seen as most characteristic of business leaders varied across cultures – no single trait was rated in the top five across all eight nations. In another example of how leadership perceptions are influenced by culture, Chong and Thomas (1997) found evidence that different leadership prototypes held by two ethnic groups in New Zealand influenced how people reacted to the same leadership styles.

More recently, researchers on The GLOBE project used a much broader sample of cultures to test Shaw's hypothesized relationship between culture and the content of leadership schema (Javidan, House, & Dorfman, 2004; Dorfman et al., 2004), and they too found support. This research also considered the impact of organizational culture on leadership schemas and their results showed that both societal and organizational cultures influenced the content of the collective leadership schemas of organizational employees or societal citizens (Dorfman et al., 2004). For example, both organizational and societal performance-oriented cultural values were found to be positively associated with participative leadership being a component of respondents' organizational or societal collective leadership schema (Javidan, 2004).

In summary, these studies provide evidence that culture does influence the content of leadership schemas. However, the reader should note that although important cultural differences exist, some leader attributes are universally endorsed (Dorfman et al., 2004). For example, Den Hartog et al. (1999) found that attributes of charismatic/transformational leadership are universally endorsed as contributing to outstanding leadership. But, overall, it appears that the subset of attributes that are culturally specific is much larger than those that are universally endorsed.

Although this cognitive categorization IP approach to studying leadership has generated much interest and it appears to be a useful paradigm for investigating questions regarding leaders and culture, some issues are still unresolved. First, it is not clear that behavior is actually affected by the match between the follower's schema and the leader's attributes and behavior. While empirical work has shown that schemas affect whether someone is perceived as a leader and the perceived effectiveness of a group, most of this work has taken place in the lab where behavioral reactions were not observed and actual team performance was not measured. Thus, while the laboratory results are suggestive, they have not empirically connected perceptions to behavior. Therefore, this question remains: do teams in which leader's attributes match the schema of followers actually outperform teams in which the leader's attributes and follower schemas conflict?

Second, and perhaps most important, "Is content the *only* aspect of schemas that is important?" Another way of asking this question is, "Does the structure of the leadership schema matter?" As we have discussed, researchers following the older cognitive categorization approach have acted as if the answer to this question was "no." Almost all of the research from this perspective has focused on the content of the leadership schema. As we will discuss in the next section of this chapter, researchers using more recent connectionist IP models are concerned with the structure of the leadership schema in addition to the content.

A CONNECTIONIST MODEL OF CULTURE AND LEADERSHIP

Connectionist Architecture and Implicit Leadership Theory

Hanges et al.'s (2000) new connectionist model of leadership and culture considers both the content and the structure of a schema. Using the new connectionist IP models, they have reconceptualized leadership schemas as distributed representations over a connectionist network.

What exactly is a connectionist network, and how does it relate to a leadership schema? Connectionist networks consist of concepts called "units" or "nodes." The units are connected to varying degrees, and the strength of a connection is indicated by an activation weight. The stronger the connection between two attributes, the more likely it is that one attribute will be activated when the other attribute is activated.

A connectionist network conceptualization of a leadership schema is illustrated in Fig. 1. The units or nodes in this figure are represented by circles

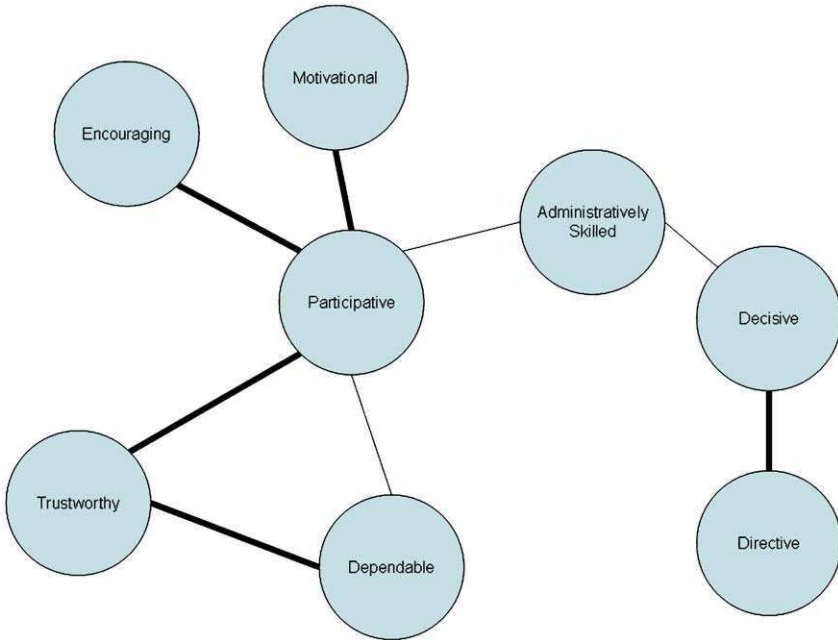


Fig. 1. An Example of a Connectionist Structure of Leadership Schema with “Participative” being the Central Attribute.

and these different units correspond to different attributes contained in a leadership schema. The attributes shown in Fig. 1 are some of the attributes found in the GLOBE project to be universally endorsed as contributing to effective leadership (Dorfman et al., 2004). The activation weights are represented by the thickness of lines between the circles. A very thick line represents a strong connection/association between two attributes (e.g., the line connecting “trustworthy” and “dependable”), whereas a thin line represents a weak connection/association between two attributes (e.g., the line connecting “participative” and “administratively skilled”). A unit is activated by an environmental event outside the network or by other units in the network.

Connectionist IP models are different from the traditional IP models in three ways. First, traditional models construe schemas as discrete and separate memory structures that can be modified, added to, and accessed independent of other schemas. Connectionist networks, on the other hand, conceive of schemas not as separate structures stored in memory but rather as stable patterns of activity that emerge among the units in a network. The

structure of a schema therefore emerges from the activation pattern of a network's units.

One way to measure schema structure is to determine the number of interconnected links each "unit" has with other "units" in the network. This is called the *centrality* of an attribute and in connectionist networks, a schema can be described by identifying the most central (i.e., the attributes that are the most strongly activated) units. In Fig. 1, there is one central unit (i.e., "participative") because this unit has the most direct links to the other units in this network. Another way to measure schema structure is to determine the internal consistency or what is called the *coherence* of a network. Quite simply, coherence refers to the extent to which units of a network go together to form a meaningful whole (Miller & Read, 1991). For example, the activated network shown in Fig. 1 has a high level of coherence because leadership attributes like "trustworthy" and "dependable" are strongly linked together as are "directive" and "decisive." A schema structure is said to be cohesive to the extent that the units in the network show a differential and hierarchical activation pattern.

A second way that connectionist models differ from traditional IP models is that while traditional models postulate that the different schemas are stored in different locations in memory, whereas in connectionist models different schemas are represented by different activation patterns over the same units in a network (Bechtel & Abrahamsen, 1996). For example, compare Figs. 1 and 2. The content of the leader schemas in these two figures are identical, but these figures present different schemas because the connections between the nodes are different. As discussed above, "participation" is the central attribute in the network shown in Fig. 1. In contrast, "directive" is the central attribute in the network shown in Fig. 2. Thus, even though the units are exactly the same in these two figures (i.e., the schemas have the same exact content), the two figures represent different leadership schemas because of the differential activation patterns among these same units. In fact, when comparing the two figures, one would expect that these two activation patterns will have different behavioral implications with regard to leadership style. A leader enacting the style implied by the activation pattern shown in Fig. 1 would clearly be more cooperative and participative than a leader enacting the style implied in Fig. 2. Thus, unlike the traditional IP models, the connectionist network perspective emphasizes *schema structure* in addition to schema content. We believe that only knowing schema content is insufficient to understand and predict leader behavior. To predict leader behavior and follower reactions, it is critical to know the linkage pattern among leader schema attributes.

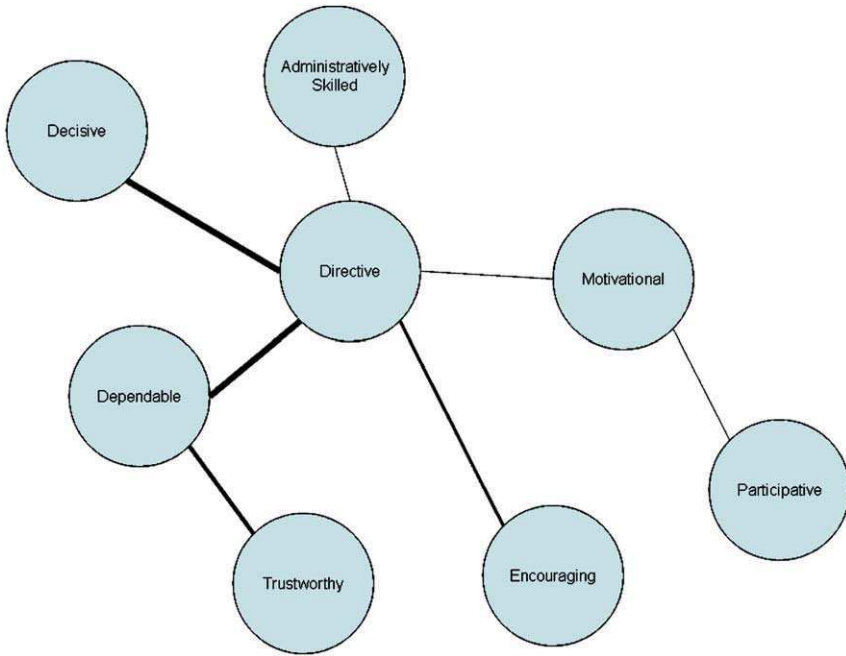


Fig. 2. An Example of a Connectionist Structure of Leadership Schema with “Directive” being the Central Attribute.

One final way that traditional and connectionist models differ is that traditional IP models assume that information is processed in a serial fashion (Hanges et al., 2000), whereas connectionist models assume that information is processed in a parallel and holistic fashion (Strauss & Quinn, 1997). This type of processing allows connectionist networks to explain very rapid IP events such as those that occur when culturally consistent events are encountered. In this way, connectionist networks allow for more efficient, more flexible, and more economical IP compared to IP models based on categorization and discrete schema. This holistic activation pattern conceptualization of schemas is also consistent with how some anthropologists have conceptualized culture (e.g., Agar, 1994) and the activation pattern that is produced can be thought of as a person’s interpretation of the activating event.

With this understanding of the mechanics of the basic connectionist network, we can now describe the culture/leadership connectionist model proposed by Hanges et al. (2000). To do so, however, we have to expand the

connectionist networks that we have discussed so far. This expanded network (Hanges et al., 2000) is shown in Fig. 3.

This network includes an entire constellation of psychological variables, including the leader attributes and activation patterns shown in Fig. 2 as well as values (e.g., hierarchy, intellectual autonomy), emotions (e.g., excitement, anxiety), attitudes (e.g., satisfaction) and self-identity concepts of the follower. It also shows that socio-cultural events and leader behavior can activate the network. Previous research supports this model in that leader behavior and socio-cultural events have been found to affect individuals' emotions, self-identities, attitudes, and beliefs (Avolio & Bass, 1995; Barling, Weber, & Kelloway, 1996; Bass, 1985; Erez & Earley, 1993; House, 1977; House et al., 2004; Lord, Brown, & Freiberg, 1999; Shamir, House, & Arthur, 1993; Shamir, Zakay, Breinin, & Popper, 1998; Strauss & Quinn, 1997). Finally, Fig. 3 shows that the pattern of activation will influence follower behavior.

ACTIVATING THE NETWORK

Socio-Cultural Events

Environmental stimuli that activate cultural schema are called socio-cultural events and are things like societal and/or organizational policies and practices (Schneider, 1987) or interpersonal behaviors and interactions (Smith & Peterson, 1988; Smith, Peterson, & Wang, 1996). For example, the strictness of child-rearing practices, the instructional style of a teacher, the messages conveyed in advertisement, the behaviors subjected to punishment by a society's legal system, and the behavior that is rewarded (e.g., individual versus team performance) by an organizational performance appraisal system are all examples of environmental events that have been found to affect the salience of cultural values (e.g., hierarchy, intellectual autonomy in Fig. 3) and norms (Gelfand, Nishii, Raver, & Lim, *in press*). The activation of these values by these socio-cultural events spread to the other units in the connectionist network (e.g., self-identity, emotions, leader traits) and a stable activation pattern among the units of this network (i.e., a cultural schema) emerges.

Leader Behavior

Fig. 3 also shows that the behavior of a leader can influence the activation pattern of a network. For example, a repeatedly encountered autocratic

Environmental Stimuli

Schema

Output

Culture and Leadership

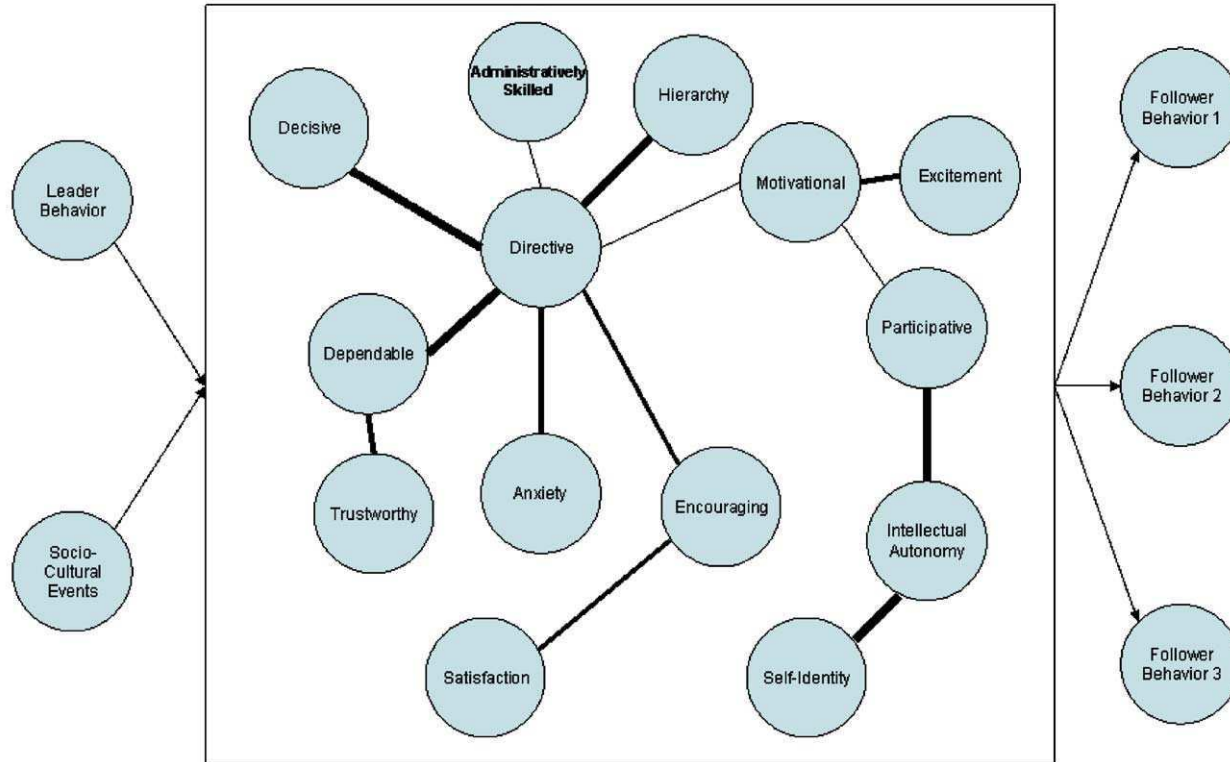


Fig. 3. The Complete Culture–Leadership Connectionist Model Based on Hanges et al. (2000).

leader affects the activation pattern of the leader units in the network shown in this figure. Some units activate (e.g., decisive, directive) and other units deactivate (e.g., participative, motivational) when this leader is encountered. This activation pattern spreads to the other network units (e.g., self-identify, affect, cultural values) and eventually a stable activation pattern (i.e., leadership schema) emerges.

Hanges et al. (2000) hypothesized that leader behaviors operate, on average, at a somewhat more conscious level of processing than do socio-cultural events. This reflects the fact that people are constantly encountering socio-cultural events that reactivate particular patterns of societal-level cultural meaning. People gravitate toward particular patterns of thinking (i.e., particular activation patterns in the connectionist network) and because these thinking patterns are repeatedly activated, the ease with which these thinking patterns are activated increases over time. Thus, people are expected to choose the established interpretation patterns within a culture (though, of course, the specifics of the established pattern vary from culture to culture) because of the efficiency of operating within that path.

In contrast to the ubiquitous nature of socio-cultural events representing the societal culture, the influence of the leader is more sporadic and do not always activate established cultural patterns. Contact between leader and follower generally occurs in short segments and thus, there are less opportunities for the patterns caused by leaders to become as automatically activated as the patterns established by socio-cultural events. Given that socio-cultural events can more easily activate patterns in the connectionist network than leadership behavior can, culture provides powerful constraints on leadership behavior. In other words, since cultural patterns are well established, they serve as a frame that partially activates (or inhibits) specific traits associated with leadership, making them more (or less) likely to be used in defining leadership. It should be easier for a leader to influence follower behavior if s/he acts in a culturally consistent manner.

However, a leader could still affect follower behavior even when they act in an inconsistent manner from the broader societal culture. As long as the leader is accepted and is successful enough to stay around, eventually the salience of the culture-inconsistent leader traits start to increase and this activation spreads to previously unactivated units (i.e., new cultural values) in the network. In this way, the connectionist model allows for the possibility that a leader can change the broader culture of a society.

*The Relationship between Culture and Leadership and their
Impact on Behavior*

In this model, socio-cultural events and leader behavior both affect behavior because both operate on the same mediating psychological variables. The parallel processing nature of connectionist model suggests that leader behaviors and socio-cultural events can activate all these psychological variables relatively simultaneously. Moreover, some actions of leaders can activate well-established cultural activation patterns in followers. Thus, in our connectionist model, the relationship between culture and leadership is not unidirectional as is implied in some traditional IP leadership models (e.g., Shaw, 1990). There are times when leadership reinforces and even defines the broader culture (Schneider, 1987; Giberson, Resick, & Dickson, 2005). Thus, this model accounts for the influence of culture on leadership schemas as well as on follower behavior.

In summary, the recent IP leadership literature has reconceptualized schemas in a fashion consistent with connectionist architectures. In the Hanges et al. (2000) connectionist model, cultural meaning schemas and leadership schemas are parts of the same network. This highlights and specifies the interconnection between culture and leadership and explains why culture provides a frame of reference for particular leadership styles to emerge.

EMPIRICAL EVIDENCE SUPPORTING THE CONNECTIONIST MODEL

While theorists have argued that connectionist models are more flexible and efficient conceptualizations of the leadership attribution process than traditional models of cognition, what empirical evidence is there for the proposed connectionist model? Fortunately, new research methods have been developed to allow empirical assessment of the schema structure of individuals (e.g., Schvaneveldt & Durso, 1981). We now turn our attention to the empirical research using this new measurement tool to test the Hanges et al. (2000) connectionist model. Overall, these studies have shown that (1) differences in the structure of leadership schemas (i.e., interconnections among the schema attributes) are related to cultural values even when the content of the schema is held constant, and (2) that the structure of the leadership schemas influences behavior.

To date, three studies have been conducted that test portions of the Hanges et al. (2000) connectionist model. Since these studies are relatively new, we will briefly discuss their findings. However, before doing so, it is important to explain how the activation patterns and schema structure of individuals is measured.

Pathfinder Measurement of Connectionist Networks

Direct empirical measurement of participants' underlying connectionist network was made possible by Schvaneveldt's (1990) Pathfinder algorithm. In this measurement approach, the researcher identifies a set of attributes and presents all combinations of these attributes to participants one pair at a time. For each attribute pair, participants rate the extent to which the attributes are related. Based on mathematical graph theory, the Pathfinder algorithm transforms respondents' relatedness ratings into estimates of the connection strength in participants' underlying network. The Pathfinder algorithm output provides spatial representations of the underlying network that look very similar to the networks shown in Figs. 1 and 2. In addition to providing these pictorial representations, quantitative estimates of the centrality of each unit and the coherence of the entire schema are also provided.

Empirical Evidents

As indicated above, three studies have so far been conducted that test causal links in the Hanges et al. (2000) model. All of these studies used the Pathfinder algorithm to measure participants' schemas. Two of these studies tested the influence of societal culture on the structure of the leadership schema and the other tested the influence of schema structure on behavior. We now provide a brief summary of these three studies.

The first study exploring the viability of the culture–leadership connectionist model was Hanges et al. (2001). In this study, the authors tested connectionist model's prediction that, after holding schema content constant, there will still be a relationship between societal culture and the leadership schema. Specifically, they hypothesized that cultural values will influence which attributes are central in participants' schemas.

One-hundred and thirty seven MBA students and advanced undergraduates from Germany (sample size = 33), the United States (sample size = 50), and Mexico (sample size = 54) participated in this study. Almost all of the respondents (99 percent) had full-time work experience and almost all (94 percent) had spent most of their life in their home country. Each respondent was asked to rate the similarity of 17 attributes

(e.g., collaborative, plans ahead, trustworthy, dynamic) that prior research identified as universal (Dorfman et al., 2004). In addition to the leadership ratings, each participant completed (Schwartz, 1992, 1994; Schwartz & Bilsky, 1987) values measure and the results were aggregated to the societal level of analysis. Finally, the authors also used the ratings of societal culture for these three countries provided in the GLOBE study (Hanges & Dickson, 2004; House et al., 2004).

Overall, the results supported the model. The leadership schema structure differed significantly across the three countries and the attributes that were central in these schemas were related to societal cultural values. In particular, the leadership attributes of “excellence-oriented,” “visionary,” and “inspirational” were more central in societies that were mastery oriented (i.e., cultural emphasis on active efforts to modify the social and natural environment through action). The leadership attributes of “just,” “win–win problem solver,” “collaborative,” and “trustworthy” were more central in societies that were egalitarian (i.e., cultural emphasis on the transcendence of selfish interests, voluntary cooperation, and concern for the welfare of others). Finally, the leadership attribute of “team-builder” was more central in societies that held conservation values (i.e., cultural emphasis on the maintenance of status quo, minimization of disruptions to traditional order – social order, family security, respect for tradition).

While these results were supportive of the connectionist model, one could argue that there was a same-source bias to the data. Specifically, the same people completed the leadership ratings and the values instrument. While this is a potential weakness of the Hanges et al. (2001) study, the authors also found that the GLOBE cultural values collected from an independent sample of middle-managers approximately four years earlier significantly related to their respondents’ leadership schema structure. Specifically, the leadership attributes of “excellence-oriented,” “visionary,” “motivational,” and “inspirational” were more central in societies that held more performance-oriented (i.e., the degree to which a society encourages and rewards group members for performance improvement and excellence (House et al., 1999)) and future-oriented (i.e., the extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future (House et al., 1999)) cultural values. The leadership attributes of “win–win problem solver,” “collaborative,” “team-builder,” and “group-oriented” were more central in societies that held more collectivist values. Overall, these results strongly support the link between societal culture and the structure of the leadership schema.

A second study by Nishii, Gelfand, Ang, Lange, and Taveesin (2004) provided additional support for the relationship between cultural values and the structure of a leadership schema. These authors argued that cognitive consistency is a critical feature within *analytical* systems of thought that are typical of individualistic societies. However, in collectivistic societies, *holistic* systems of thought prevail. In collectivistic cultures, individuals have to switch between multiple schemas depending upon the contextual situation that the individual is embedded in. Given that these schemas are often contradictory, Nishii et al. (2004) hypothesized that the leadership schemas in these cultures would have lower coherence and subsequently more attributes would be central in their leadership schema (i.e., the schema would have less hierarchical structure). This type of leadership schema structure was hypothesized to allow individuals in collectivist societies to quickly switch behaviors depending upon the social contexts that they find themselves in.

Two hundred and eighty-six MBA students in the United States (sample size = 88), Germany (sample size = 62), Singapore (sample size = 77), and Thailand (sample size = 59) provided similarity ratings of various leadership attributes. As with the prior study, the Pathfinder algorithm was applied to derive the structure of the respondents' leadership schemas. Nishii et al. (2004) predicted that leadership schemas in individualistic cultures (i.e., United States, Germany) would be more internally consistent compared to leadership schemas in more collectivistic cultures (i.e., Singapore, Thailand). Further, they predicted that individuals in Singapore and Thailand would have a greater number of central leadership attributes as compared to the respondents from the United States and Germany.

Their results supported their predictions. Specifically, the coherence of the leadership schemas was the highest in the United States, followed by Germany, Singapore, and then Thailand with the coherence of the leadership schemas from the United States respondents being significantly greater than the coherence of the schemas from respondents in either Singapore or Thailand. Also, the average number of central leadership attributes was significantly higher in Singapore and Thailand than in Germany and the United States. Once again, these results support the Hanges et al. (2000) connectionist model. Societal culture affects the structure of the leadership schemas even when the content of the leadership schema is held constant.

The final study, Hanges, Lim, and Duan (2004), explored the hypothesized relationship between attribute centrality and behavior. This study is unique in that prior IP studies have not tested the behavioral consequences of IP. Fifty-seven combat teams from the Singapore Armed Forces (sample

size = 331) and their superiors (sample size = 57) participated in this study. All leaders and their subordinates independently rated the similarity of 13 leadership attributes. As with the prior studies, the Pathfinder algorithm was used to derive the structure of each participant's leadership schema. Approximately a month after collecting the leader schema information, the combat teams went through a combat assessment exercise. The behavior of the leaders in this exercise was rated by independent assessors.

The first set of analyses tested the impact of the leader's own leadership schema on his own behavior. As predicted, the centrality of an attribute in a leader's schema was related to his behavior in the combat assessment exercise. Specifically, the centrality of "trustworthy" in the leader's schema was significantly and positively related to the independent rating of the leader's behavior as "trustworthy." Further, the centrality of "decisive," "plans ahead," "dynamic," "autocratic," and "procedural" attributes in the leaders' schemas, predicted ratings on "decisive," "plans ahead," "dynamic," "autocratic," and "procedural" by the assessors in the combat assessment.

Second, the behavioral implications of the similarity in the structures of the leaders' and followers' leadership schemas were tested. The original work on IP strongly implied that followers would react to a person as a leader if that person's behavior matched the followers' leadership schemas. Thus, Hanges et al. (2004) hypothesized that combat teams would be more effective (and their leaders rated as being better leaders) when there is greater similarity in the structure of the leadership schema held by the leader and follower. Specifically, they reasoned that the greater the overlap between leader and follower schemas, the more likely that the leader's behavior would be seen as leader-like by the followers. Thus, in groups where the leader-follower schema match is high, the followers should pay more attention to the leader compared to groups with lower leader-follower schema match. We used the Pathfinder similarity index provided by the computer program to assess schema similarity.

Consistent with this hypothesis, leaders were rated higher on "decisive," "plans ahead," "motivational," and "autocratic" by the independent raters in the combat assessment when there was greater agreement in leader-follower schema structure. Overall, this study supported the proposed behavioral consequences for the connectionist IP model and it is the first IP study to test the behavioral implications of the IP literature.

In summary, these three studies provide strong initial empirical support for the Hanges et al. (2000) connectionist model. First, the impact of culture on the structure of leadership schemas was shown. Even when the same attributes are being rated (i.e., content is held constant), the connections

(i.e., the centrality) among these attributes may differ across cultures. Second, there is good initial support for the impact of schema structure on leader behavior.

IMPLICATIONS OF THE CONNECTIONIST MODEL

In the prior section, we reviewed the connectionist model of culture and leadership as well as the empirical evidence supporting this model. We believe that this new IP model provides new insights into the relationship between leadership and culture. Some of these insights are more theory/research oriented and others are more practical oriented. For example, in contrast to *Shaw's (1990)* specification of three separate effects of culture on leadership schemas, the connectionist model implies that only one mechanism (i.e., schema structure) is actually necessary to account for all the effect of culture on leadership schema. More specifically, using the connectionist model described in this chapter, the effect of culture on leadership schema content can be explained by the absence of a link connecting an attribute to the other attributes in a network. This isolated attribute will not be influenced by leadership encounters (as will the other attributes in this network) and thus, the attribute is not a part of an individual's leadership schema or an intact group's collective schema. Further, this influence of culture on the links between units of a network affects the structure of the schema as well as the extent to which aspects of a leadership encounter are processed automatically (i.e., stronger activation connections ensure that culturally consistent leadership patterns will be activated easily and almost automatically). Thus, the connectionist culture–leadership model provides a more efficient explanation for the culture–leadership relationship discussed by *Shaw (1990)*.

Another implication of the connectionist model is that it indicates that knowledge of schema content is insufficient to predict and understand behavior. As discussed earlier, a comparison of *Figs. 1 and 2* reveals that different leadership styles can be implied when the content of the leadership schema is held constant but the connection weights between units differs. Two individuals (or two societies) can have the exact same content in their leader schema, but if the schema structures differ, the leadership style that would be exhibited or considered ideal for these individuals (societies) would also differ substantially. Consistent with this hypothesis, *Ichikawa (1993)* notes that the height of leaders is an important attribute in both the United States and Japan, but in exactly opposite ways – leaders in the United States

are quite likely to be tall, while Japanese leaders are most likely to be short. In other words, height is a unit in the cultural meaning systems for people in both countries, but the relationship that this attribute has with other attributes differs significantly between the two countries. Thus, consistent with the connectionist model, the difference between these two cultures in terms of this leadership attribute only becomes apparent when attribute relationships are measured. One methodological implication of this perspective is that cross-cultural differences need to be examined in terms of the schema structure and accessibility as well as differences in the prototypicality of various leadership traits.

Another implication is that it should be very easy to get desired follower reactions when leaders behave in ways that activate familiar cultural patterns. It is more difficult, however, to obtain desired reactions and behavior when leaders behave in ways that activate patterns inconsistent with the established cultural pattern. Shaw (1990) notes, for example, that much of the difficulty expatriate leaders experience stems from different cultural definitions of effective leadership and different culturally based scripts for leadership behavior. Since schemas are learned from experience and are applied automatically, it is difficult for leaders operating in a foreign culture to understand differences in leadership prototypes or to alter their behavior in a culturally appropriate manner. In other words, even if expatriate managers learn culturally appropriate behaviors in their assigned country, these behaviors will still activate different cultural patterns and assumptions for sender (expatriate) and receiver (local employee). Thus, the shared understanding between the two is likely to be surface level, at best.

Finally, the connectionist model discussed in this chapter is useful for generating new suggestions with regard to managing a diverse workforce. We will now focus attention on this concern in the final section of our chapter.

MANAGING DIVERSITY: RECOMMENDATIONS FROM THE CONNECTIONIST PERSPECTIVE

Dramatic changes to the composition of the workforce have occurred over the past 60 years. In the 1940s, the workforce of most organizations was almost completely culturally homogeneous. Leaders of such organizations focused on optimal strategies for motivating relatively homogeneous workers. Indeed, culturally different groups were segregated by either physical boundaries or by boundaries created by bias and discrimination.

Today, these boundaries have been crossed and the workforce is becoming increasingly diverse. As this diversification progresses, both researchers and managers have questions about how to effectively lead such groups. What style of leadership is needed to effectively manage culturally diverse individuals? How can knowledge of this IP culture–leadership model help leaders manage culturally diverse teams? In this last section, we focus on strategies that organizational leaders can use to motivate and direct their diverse workgroup.

As discussed previously, the connectionist model implies that individual's in a diverse workgroup will not initially respond to the same leadership style because of differences in backgrounds, values, self-identity, and attitudes. However, by thinking about the connectionist model, managers can slowly create an environment in which such diverse workforces can be effectively managed. Specifically, we discuss three strategies (i.e., assimilation, accommodation, and integration) that could be implemented to manage a diverse workforce.¹

Assimilation (a.k.a. My Way or the Highway: One Leadership Style Accepted by Everyone)

The connectionist model emphasizes the moderating influence of activated cultural patterns on the effectiveness of various leadership styles. Thus, one strategy available to a leader is to reduce the saliency of cultural diversity among the workforce by convincing everyone in the group to adopt the manager's own perspective. We call this tactic the assimilation strategy. In this strategy, the managers endeavor to reduce the differing perspectives among the workgroup by supplanting individual employees' value sets and goal orientations with a single management advocated perspective. This can be accomplished by creating a strong organizational culture and the establishment of policies, practices, and procedures that reinforce the organization's perspective and culture. The reader can easily visualize this strategy by thinking of leaders who believe that only they know what is best for the organization. Such leaders often establish a single organizational culture and leadership style.

Thus, by stressing consistency and congruence with the organization's policies and by de-emphasizing individual values and needs, managers are hoping that employees will eventually incorporate organizational-congruent patterns into their leadership schemas. Leaders who prize this strategy probably view employee schema diversity as an obstacle to overcome rather than a strategic business advantage. Clearly, if employees actually incorporate this

culture into their network, issues surrounding workforce diversity can be minimized.

To successfully enact the assimilation strategy, it is crucial that leaders select, educate, and socialize employees so that they are congruent with the prevailing organizational way of seeing and doing things (culture), homogenizing workplace-relevant schemas (e.g., leadership schema, followership schema) in the process.

For instance when using the assimilative approach, a manager in charge of new employee training will attempt to instill the prevailing company schema of a model leader and follower and will pay little or no attention to new employees' existing leadership and followership schemas. The end result of the assimilative process is a more homogeneous workplace. It is important to note that assimilation does not necessarily lead to bad or good outcomes, but rather to a more schematically uniform workplace. In fact, such uniformity may allow for quicker decisions, less conflict, and a more cohesive workplace that is not plagued by in-group/out-group discrimination. However, it should be noted that in fast-changing business environments, homogeneous organizations do not have the tools and resources necessary for creative problem-solving, limiting the organizations' potential in dynamic environments (Schneider, 1987; Schneider, Goldstein, & Smith, 1995).

Accommodation (a.k.a. I'm Okay, You're Okay: Different Perspectives Require Different Leadership Styles)

While the assimilation strategy requires the emphasis of a common organizational sponsored culture, the connectionist model suggests that this is not the only useful strategy for leaders. Also, as implied by the connectionist model, a leader could try to exhibit *different* styles in an attempt to equally motivate the diverse subcultures in his/her workforce. We call this tactic the accommodation strategy. With this strategy, managers recognize, attempt to understand, and tolerate individual employees' distinct perspective, value sets and goal orientations. Accommodating leaders value employee diversity, seeing it as a business advantage and perhaps a moral prerogative. Such leaders are aware and tolerant of diverse perspectives (i.e., schema structures), and regard them as a necessary part of a dynamic workplace. Thus, the accommodating manager does not attempt to homogenize the workforce. Rather, the accommodation strategy involves exploration of differences in the new employees, followed by managerial tolerance of and even adjustment to employee expectations.

What does this mean for leadership? One can envision leaders who use multiple leadership styles, each differentially effective for particular work groups within the firm. Some managers are naturally more participative, some less and this may hold true for follower expectations as well. In the second author's business school, each department head has his/her proclivity regarding managerial style ranging from directive to participative to completely delegative. The business school dean has to effectively work with each of these different department heads knowing that the style of these individuals differ. Thus, an effective dean might use an accommodation strategy and alter his style when dealing with each department head.

The accommodation strategy is the one typically recommended in the literature on managing diversity. While following this strategy will create a climate for diversity, there are disadvantages as well. The recognition of and respect for employee diversity alone does not allow for homogenizing socialization processes that endow the organization with the ability to respond quickly and cohesively to change. Additionally, managerial and employee tolerance and behavioral adjustment to a variety of expectations calls for increased mental resources that, when sustained over time, may give birth to the processes of social categorization, in-group/out-group formation, and consequently prejudice and discrimination. For example, continuing with the aforementioned business school example, if the dean acts in a dictatorial fashion with one department head (and faculty) and acts in a participative manner with another department head (and faculty), the overall business school faculty at large may easily misattribute the dean's behavior. They may interpret his behavior as a lack of respect or trust toward the first department head and faculty. While the real intent of the dean's leadership style was to accept and value the diversity of his workforce, the faculty's misattributions of this style may actually work to hinder or destroy the climate for diversity.

Integration (a.k.a. United We Stand: The Synergistic Leader)

The integration strategy requires leaders to facilitate the development of an organizational culture that is born out of the distinct values, beliefs, and perspectives of the diverse workforce. In the integration strategy, the leader's role is to encourage employees to explore the diverse views that are present in the workforce. Rather than ignoring differences and exaggerating commonalities, leaders using the integrative strategy encourage employees to discuss and reconcile their differences openly, with the ultimate goal of constructing a richer, more complex view of the organizational

environment. Employees not only compromise to allow for the expression of distinct perspectives but they should start to *incorporate* the perspectives of distinct others, consequently diminishing between individual diversity, and with it, in-group/out-group formation and discrimination. From the connectionist perspective, this strategy promotes the construction of more complex cognitive schemas, while at the same time creating great schema overlap among employees.

What can a leader do to facilitate the development of this integrated cognitive schema? First, it is critical that the leader's vision clearly expresses a value for a diverse workforce. This vision can be enacted by structuring the workplace so that the frequency of face-to-face interactions increases. However, it should be noted that these frequent interactions only provide an opportunity for sharing and exploration of diverse values; it does not guarantee it. The leader needs to increase the likelihood that these interactions are positive. This can be done by structuring tasks and the work environment so that cooperative goals and roles are encouraged, rewarded, and expected. For example, tasks can be structured so that each person's work contributes to the overall objective of the group and rewards can be given for joint effort. This should help to build a sense of mutual benefit and a collaborative spirit (Kouzes & Posner, 2002) which should provide a positive opportunity for employees to explore their diverse views and experiences.

The leader also needs to create a climate of trust so that employees can feel safe to explore issues as well as try creative solutions to solve problems that may arise due to employees' diverse backgrounds and experiences. If a particular solution turns out to be effective, the leader can solidify the solution by creating policies, practices, and procedures which will create a climate that reward and support the desired behavior (Schneider, 1987). Over time, this unique organizational climate will activate common cultural patterns among the diverse employees and thus, the leader should be able to effectively motivate all the employees by behaving consistently using this new cultural identity. With this strategy, a leadership style emerges from the dynamic and complex interactions among the leader and the employees within the organization. *In other words, the leader's style actually changes as a result of integrating and incorporating diverse styles among the workforce.*

If the bedraggled business school dean discussed previously had used this strategy, s/he would find that the increased interactions among the faculty should result in a unique business school culture. This culture will be consistent with the dean's goals for the school if s/he was successful in building

a sense of trust among her/his faculty as well as effective in codifying goal-consistent solutions emerging from these faculty interactions. If the unique business culture successfully incorporates the dean's goals, then the dean's leadership style that is effective in leading the diverse faculty have aspects that are consistent with his/her original leadership style but also includes some unanticipated changes in style. In other words, the emergent leadership style *cannot* be completely predicted at the beginning of this process because the changes are more than the sum of the commonalities among the faculty and the dean's initial style. Rather, the emergent leadership style is truly a gestalt that emerges from the dynamic interactions among the faculty and the dean.

When effectively implemented, the integration strategy will result in individuals who not only understand each other's perspective, but also experience it. He or she will become truly multi-cultural and thereby not be limited to one perspective on any issue but able to see multiple perspectives. This is the essence of why diversity is sought after in modern organizations, the marketplace, political and social environment is too dynamic for any one view to be appropriate across time and situations; a multiplicity of views is needed.

This final strategy has not been discussed in the diversity literature. Thus, the integration strategy is a unique contribution of the connectionist model. However, there does appear to be a small number of organizations that have implemented this strategy and effectively incorporate diverse employee viewpoints into their company culture. For example, [Thomas and Ely \(1996\)](#) described a small public-interest law firm where policies and practices consistent with the integration strategy were implemented successfully. Their leadership recognized the importance of the learning and re-learning required to implement these policies and practices. The principal partners of this law firm report that they now have an expanded notion of their firm's mission ([Thomas & Ely, 1996](#)).

Of course, there are many questions still unanswered about how to effectively implement this strategy. For example, if the leader is not completely committed to this strategy, it is easy for the organization's culture to become stagnant. Thus, over time, the assimilation strategy will reappear where the leader falls back into a "one-best way" mentality, which clearly is not consistent with the dynamic integration strategy. Thus, a major question is how the leader can keep a focus on trust-building, accepting a multiplicity of views, and maintaining an effective leadership style over time. If this can be accomplished, the benefits of the integration strategy for the organization will continue.

CONCLUSION

In this chapter, we discuss the connectionist model of culture and leadership originally proposed in 2000 by Hanges et al. We hope that we have convinced the reader that the connectionist perspective is an efficient and powerful description of how culture and leadership influence follower reactions and behavior. Effectively managing and leading groups requires an appreciation for the constraints of culture on leadership. Leaders either act in ways that resonate with their employees' existing cultural expectations or they attempt to explicitly learn these new cultures or even create new cultures (i.e., integration strategy) to ensure that they effectively lead their workgroups. Either way, the effectiveness of the leader depends on his/her ability to recognize and/or create an effective culturally context. The leader can operate effectively within a culture or there will be a misfit between the leader's style and the organizational culture. As the degree of misfit increases, the employees are pulled by competing forces. Given the ubiquitous nature of culture, the misfitting leader is bound to lose.

NOTES

1. In her book on international organizational behavior, Nancy Adler (1991) identified several strategies for managing multinational corporations. While there are some similarities between Adler's strategies and the strategies discussed in this chapter, we believe that the differences in context (i.e., culturally diverse teams versus multinational corporations), the discrepancies between the two sets of strategies, and the theoretical model underlying the present chapter's discussion is sufficient to justify the present discussion.

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EMOTIONALIZING LEADERSHIP IN A CROSS-CULTURAL CONTEXT

Birgit Schyns and James R. Meindl

ABSTRACT

In this paper, we explore the emotion work of leadership, which is defined as the need to manage one's own emotions and to influence the emotions of others. First, we review the recently renewed interest in emotions in the field of organizational behavior, as demonstrated in recent research that focuses on emotion in the workplace, emotional intelligence, and the emotional aspects of transformational leadership. Then we discuss the challenges that global leaders face when dealing with emotions and emotional displays in unfamiliar cultures. Finally, we suggest ways that increasing cultural intelligence (Earley & Ang, 2003) might help global leaders meet these challenges.

In recent years, there has been increasing attention paid to the importance of emotions for understanding many aspects of organizational behavior, including leadership. We can talk of “emotionalizing” leadership to refer to the switch from a more cognitive approach to leadership to a more emotion-related approach, which focuses on demands for leaders to show certain emotions, and to manage the emotions of others. Together, these two activities constitute the emotion work of leadership. Managing one's own

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emotional displays and managing the emotions of others is the emotion work of leadership.

The recent interest in the emotion work of leadership has been fostered by at least three trends: a general interest in emotional phenomena in the workplace, the popularization of the concept of emotional intelligence, and the ascension of transformational/charismatic leadership as the dominant leadership paradigm. We conclude from reviewing these trends that emotion work is an important topic in leadership, but a lot of research is still necessary with respect to its possible pitfalls and challenges. Problems in connection with emotion work especially arise when leaders work in a context different from their own culture. Therefore, we will, in the second part of our chapter, focus on the challenges leaders are confronted with in a cross-cultural context when conducting emotion work.

EMOTION IN THE WORKPLACE: EMOTIONALIZING ORGANIZATIONAL BEHAVIOR

In their review, [Brief and Weiss \(2002\)](#) observe that interest in emotional experiences in the workplace, which lay dormant for many years after strong interest back in the 1930s, was re-discovered by organizational researchers in the mid-1980s. By the 1990s it became a hot topic. In the 1980s and 1990s, organizational analysts of various theoretical stripes, and working within positivistic, social constructivist, post-modernistic, critical, and feminist perspectives broke through the “emotional taboos” ([Martin, Knopoff, & Beckman, 1998](#)) of rational organizational analysis.

The relative neglect of affective experiences at work has been attributed to an extreme pre-occupation with cognitive processes in the study of organizational behavior (e.g., [Mowday & Sutton, 1993](#)), which followed no doubt the trends that were taking place at the time in basic social psychology. When the maturing of the cognitive revolution in basic social psychology, which started back in the 1960s and 1970s, gave way to greater interest in affective systems and processes, including their relations to cognition, information processing, and perception, the study of organizational behavior followed suit ([Lord, Klimoski, & Kanfer, 2002](#)). This renewed interest takes many forms, and analyses can be based on different assumptions about the status of emotions relative to work-related cognition and behavior. A key issue for organizational researchers is the relationship between cognitive rationality on the one hand and the emotional basis of work on the other

(Walsh, 1995). Fineman (1999) identifies at least three positions on the matter: emotions are held to interfere with rationality, to serve it, or to be intertwined with it. In general, emotion psychology does not imply that emotions obstruct rationality.

Foci of Research

In addition to reflecting varying perspectives on the connection between emotionality and rationality, the study of emotion in organizational behavior has produced at least two broadly different foci of research. One focus has been on emotional processes and experiences as a reaction to workplace events, while the other focus is on the control and display of emotions as a job component or requirement of work. Each focus has potentially many leadership implications and applications. We will illustrate these implications using two examples: organizational change and emotional labor.

Organizational Change

Organizational changes often induce strong emotional reactions. During such occasions, the emotional experiences of followers to changing work contexts suggest that leaders ought to behave in ways that engage their followers at an emotional level. For example, Fox and Amichai-Hamburger (2001) argue that organizational change programs can be more effectively promoted by leaders using emotional appeals rather than rational persuasion. There is indeed a large practitioner literature advising leaders how to do that more effectively (see Seijts & O'Farrell, 2003, for a recent review). Of course, the nature of a leader's emotional engagement may depend upon differing views about the impact of followers' emotions on the likely success of organizational change initiatives. Research highlights that negative emotional reactions (such as fear or anger) can often function to obstruct change and that the role of leadership is to mitigate against or "correct" such negative emotions. We have to keep in mind, though, that this implies that first of all, emotions can be corrected and second, that there is something like the "correct" emotion. Implicitly, the "correct" emotions seem to be positive emotions. It is also possible to frame such emotional reactions in more functionally positive ways, viewing them as a "vital part of the experience of change, structuring the meaning of change" (Kiefer, 2002, p. 12). These observations suggest that leaders might do better to allow such emotions to run their course rather than fighting them. Importantly, this implies managing emotions without managing them away but rather taking them seriously.

Emotional Labor

Emotional labor is a term first coined by Hochschild (1983) in an analysis of service workers in the airline industry. It refers to jobs that call for the deliberate control and display of emotions as a routine aspect of work performance. In this way, emotions enter into work behavior not as a spontaneous reaction to work situations and organizational events (as in the case of organizational change), but rather out of more or less formal job requirements that prescribe certain emotional content to occur as a part of one's work. Much research and theory has been devoted to (1) understanding the structure of emotional labor among service workers and workers in various other occupations (e.g., Rafaeli & Sutton, 1987; Sutton, 1991), and (2) understanding the psychological effects of emotional labor on those workers who are directed by their superiors to act in certain emotional ways (e.g., Ashforth & Humphrey, 1995; Morris & Feldman, 1996; Wharton, 1993). In addition, several instruments have been designed to index the amount and type of emotional labor in various jobs (e.g., Kruml & Geddes, 2000; Morris & Feldman, 1996).

This line of research is also relevant for those occupying positions of leadership. Leaders may in fact feel compelled to engage in a fair bit of emotional labor, vis-a-vis their followers, to influence the emotions of others through their own emotional displays. The performance of such emotional labor is not restricted to situations involving organizational change, as discussed previously, but may also be a necessary aspect of leadership in many different situations and settings, suggesting interesting parallels between the emotional labor of service workers as they try to manage their customers and clients, and the performance of emotional labor among managers and supervisors in the service of more effectively leading their subordinates. In this way, leaders may suffer from the same consequences as service workers do when engaging in emotional labor. That is, leaders may experience the same negative consequences, such as lowered well-being to a similar degree found in service workers.

POPULARIZING EMOTIONAL INTELLIGENCE

While emotions were becoming a hot topic in the study of organizational behavior, there was another, broad and pervasive trend toward recognizing the importance of emotions, manifested in the concept of emotional intelligence: "EI" or "EQ" for short. This concept became popular in the early 1990s, and it refers to a general ability to use emotions in functional,

adaptive ways (Salovey & Mayer, 1990). Several different definitions and models of emotional intelligence have been offered (e.g., Bar-On, 1997; Mayer & Salovey, 1993, 1995; Goleman, 1995).

The Mayer–Salovey–Caruso Emotional Intelligence Test (MSCEIT; Mayer, Salovey, & Caruso, 2002) assesses four factors:

- *Perceiving emotions* (referring to the ability to perceive one's own and others' emotions),
- *Facilitating thought* (the capability of generating, using, and feeling the emotion necessary in communicating feelings as well as of employing emotions in other cognitive processes),
- *Understanding emotions* (understanding emotional information, understanding the combination of emotions and how they progress through relationship transitions, and, in addition, the ability to appreciate emotional meanings), and
- *Managing emotions* (referring to the ability to be receptive to feelings, and to modulate one's own and others' feelings in order to promote personal understanding and growth).

Boyatzis, Goleman, and Rhee (2000) identified four skill clusters in the emotional competency index (ECI, cited from *The Consortium for Research on Emotional Intelligence in Organizations*, 2003). These are as follows:

- *Self-awareness* refers to the ability to accurately perceive one's own emotions, be aware of them, and understand their impact on specific situations and people.
- *Self-management* means the ability to stay flexible through being aware of one's emotions and positively direct behavior, that is, managing emotional reactions to specific situations and people.
- *Social awareness* signifies the ability to accurately perceive and react to emotions in other people. People who are socially aware understand what other people are thinking and feeling, no matter if that may conflict with their own feelings.
- *Relationship management* refers to the ability to manage interactions successfully through being aware of one's own emotions and the emotions of others.

Finally, the Bar-On Emotional Quotient Inventory – EQ-I (Bar-On, 1997) consists of five major scales each composed of several subscales, including

- *Intrapersonal scales* (self-regard, emotional self-awareness, assertiveness, independence, self-actualization),

- *Interpersonal scales* (empathy, social responsibility, interpersonal relationship),
- *Adaptability scales* (reality testing, flexibility, problem solving),
- *Stress management scales* (stress tolerance, impulse control), and
- *General mood scales* (optimism, happiness).

Although the relative validity and general credibility of these alternative approaches are often debated, and despite their differences, they obviously have much in common. All include a relationship aspect, a self-awareness aspect, and an aspect of awareness toward others. More fundamentally, each of these models or approaches to emotional intelligence highlights the notion that (a) as with IQ, there are individual differences in the amount or level of emotional intelligence, that is, some people have more of it than others, (b) emotional intelligence is important, perhaps more important than traditional “IQ”, to success and satisfaction in work-life and life in general, and (c) unlike IQ, it is possible for people to improve on their level of emotional competence.

Regarding the dimensions of emotional intelligence, we can see their relevance in the context of leadership: Leadership is based on the interaction between leaders and followers; thus, leaders need competences when it comes to upholding relationships. In this context, self-awareness and awareness of the emotions of others are certainly relevant. Consequently, the competencies subsumed under emotional intelligence could be highly relevant to leadership, and if possessed by leaders, would contribute to their effectiveness. George (2000) proposes that five significant and broad leadership performance areas are likely to be enhanced by the various facets of the emotional intelligence of leaders. These are (1) developing a collective sense of goals and objectives and how to go about achieving them; (2) instilling knowledge and appreciation of the importance of work activities and behaviors; (3) generating and maintaining excitement, enthusiasm, confidence, and optimism as well as cooperation and trust; (4) encouraging flexibility in decision making and change; and (5) establishing and maintaining meaningful organizational identities.

Let us summarize some of her arguments as to why emotional leadership is important in these areas of leadership performance. There are three ways that emotional intelligence is important in the first performance area: First, emotional intelligence can help leaders use their emotions to engage in information processing. Second, EQ may improve creativity, and, third, EQ may help leaders communicate the vision by influencing followers' emotions. In the second performance area, leaders' competences with respect to

helping followers understand the importance of work activities and behaviors play a role. Leaders can make followers aware of problems and opportunities and, at the same time, influence their emotions to make them enthusiastic and optimistic. The same competencies are of importance in the third performance area, that is, awareness of followers' feelings and how to influence these feelings. This includes the detection of faked emotions. In addition, [George \(2000\)](#) emphasizes the significance for leaders to anticipate followers' emotional reactions to events as well as being able to establish a high-quality relationship with followers. When change is concerned, leaders' emotional intelligence can help them in processing information and, again, in being aware of and influencing followers' emotions. [George \(2000\)](#) sets organizational identity in the context of norms and values, highlighting the importance of emotions in this context. Emotional intelligent leaders are, according to her, better able to identify norms and values that influence behavior.

When having a closer look at [George's \(2000\)](#) argumentation, some points are striking. Most of her arguments refer to two areas of emotional leadership, that is, how emotions support information processing and the relationship aspect of leadership, more precisely, to emotional intelligent leaders being able to understand and manipulate followers' emotions.

We may therefore argue that emotional intelligence could indeed be a success factor for leaders. However, we also need to point out that the demand for leaders to engage in emotional leadership, may imply the risk of manipulating followers, although [George \(2000\)](#) rejects that problem. Whether the manipulative aspect is comprised in emotional intelligence is subject to discussion. However, leaders who feel the demand of acting emotionally intelligent without having the skills to do so may engage in a manipulative behavior. An additional point of concern is that a lot of the available literature does not focus on leadership but rather on the more general phenomenon of emotional intelligence. The exact significance of emotional intelligence for effective leadership is thus still to be proven.

CHARISMATIC LEADERSHIP

A third trend contributing to the importance attached to emotions for leadership comes out of the academic work which emphasizes transformational, as opposed to transactional, leadership processes (e.g., [Bass, 1985](#); [Burns, 1978](#)). Transactional leadership processes involve reciprocal exchanges between leaders and followers, creating relationships that allow the

mutual fulfillment of each other's needs and desires. In contrast, transformational leadership processes create a unity of purpose that transcends individuals. A close emotional bond is created, with followers identifying strongly with the leader and a shared cause. The emotional emphasis within the transformational leadership paradigm probably arises from the centrality of charisma to its conception (Conger & Kanungo, 1998). Charisma has typically been viewed within an emotionalized frame of reference (e.g., Wasielewski, 1985) with discussions of it often focusing on the emotional expressions of leaders and the emotional bonds that are created between leaders and followers (e.g., Cherulnik, Donley, Wiewel, & Miller, 2001). The emotional processes of charismatic relationship are so important to the transformational leadership paradigm that "emotional leadership" is virtually equated to it, i.e., transformational leadership is said to be "emotion-based" (e.g., Yammarino & Dubinsky, 1994).

Charismatic Leadership, Emotion, and Performance

Communicating powerful emotions to followers is thought to be an important way that "transformational leaders" are able to achieve their considerable influence (e.g., Conger & Kanungo, 1987). Although widely cited in theory, few studies of transformational or charismatic leadership have actually made an attempt to empirically measure and isolate the impact of emotional communication and displays on the presumed emotional experiences of followers, though the situation is changing. For example, it is generally believed that leaders who are considered to be charismatic use more emotionally laden rhetoric than non-charismatic leaders (e.g., Bligh, Kohles, & Meindl, 2004; Den-Hartog & Verbarg, 1997; Emrich, Brower, Feldman, & Garland, 2001), although the way this rhetoric influences followers is unclear.

It is commonly held that transformational leadership achieves its impact on follower performance by arousing and/or engaging the emotions of followers, and there are many theoretical specifications of how that actually happens. One possibility is that the effects of transformational leadership on follower performance are mediated by its impact on the performance-relevant emotional states of followers: encouraging emotions that are likely to facilitate performance and inhibiting the development of emotions that would undermine it. Along these lines, a study by McColl-Kennedy and Anderson (2002) is suggestive, finding that the connection between followers' perceptions of transformational leadership and performance was fully

mediated by the emotions of optimism and frustration. However, we know little as to which emotions impact on what kind of performance. We can assume that, for example, different emotions play a role in facilitating quantitative performance or creativity. In other words, although the literature on charismatic leadership hints into the direction of leaders' emotions involved in producing various results, we do not know much about the process or the exact emotions that are relevant here.

Emotional Contagion

The emotional displays of leaders are thought to produce similar emotions in followers: leaders who are emotionally positive or negative are likely to engender those same emotions in followers (e.g., [George & Brief, 1992](#)). This amounts to a kind of "emotional contagion" effect ([Hatfield, Cacioppo, & Rapson, 1994](#)), with the leader's emotions, intentionally or not, spreading to followers who either closely mimic or are induced to feel emotions that are of a similar valence to that of the leader. A study by [Lewis \(2000\)](#) found evidence that followers can be made to feel more nervous or less enthusiastic depending on whether they are exposed to a leader expressing anger or sadness, respectively, in comparison to when the leader expresses no emotion. Some expressions of emotions by the leader may be more contagious for followers than others. A study by [Cherulnik et al. \(2001\)](#) suggests that charismatic behavioral displays by leaders (e.g., facial expressions) are more likely to be emotionally contagious than other displays. This suggests that not only emotion work but also naturally occurring emotions in leaders have an effect on their followers' emotions.

Authenticity

In the display of emotions, an important topic is authenticity. Along these lines, [Dasborough and Ashkanasy \(2002\)](#) present a theory about how followers are likely to respond to the emotional displays of transformational leaders depending on their diagnosis of the emoting leader as "genuine" or "pseudo" transformational. Their model is based on the assumption that followers interpret the emotional displays of a leader as attempts to influence behavior through the evocation of certain emotions. The attributional problem facing followers is to discern the nature of the underlying intentions of the leader's emotional displays: Are the leader's motives for emotionalizing

followers in the best collective interests of followers or does the leader have most self-serving interests in mind? What is at issue here is not the means of influence (emotional appeals designed to arouse emotions of followers and mobilize behavior), but the ends to which these means are used.

Emotional Expression and Followers' Evaluation

The emotional expressions of the leader can have an effect on how that leader is evaluated by followers. For example, there is some evidence indicating that the expression of positive affect by leaders elicits more favorable ratings of leadership by followers (e.g., Engle & Lord, 1997). There is also some evidence that affect congruence among various channels of expression (e.g., verbal and non-verbal), which have an influence (within a simulated performance appraisal context) on followers' perceptions of leaders (e.g., Newcombe & Ashkanasy, 2002; for an overview on non-verbal behavior and leadership see also Schyns & Mohr, 2004).

The effects of emotional displays by the leader on followers' ratings of leadership point up the possibility that followers routinely consider emotional criteria alongside of whatever other prototypical attributes (Lord, Foti, & de Vader, 1984) use to judge and evaluate the existence of leadership. Along these lines, a study by Kellett, Humphrey, and Sleeth (2002) found that empathic emotional displays by leaders were related to followers' general perceptions of leadership (assessed using Lord's, 1977, General Leadership Impression Scale). Lewis (2000) found that male leaders expressing sadness received lower effectiveness ratings from followers than did leaders who expressed more neutral emotions, whereas female leaders received lower ratings for expressing anger as well as sadness. Results such as these may indicate the existence of implicit leadership theories (e.g., Eden & Leviatan, 1975) that include emotional attributes as important markers of leadership effectiveness.

Impact of Transformational Leadership on Group Climate

Discussions of transformational leadership often imply that leaders have an impact on followers as a group, that is, on the cooperation among members or the group climate, though few empirical studies have actually explored how such leadership relates to group's emotional climate. Pirola-Merlo, Hartel, Mann, and Hirst (2002), in a longitudinal study of R&D teams, find

evidence that more facilitative and transformational leadership styles can counteract (moderate) the negative impact of work obstacles on the group emotional climate, meaning that transformational leaders may help followers to overcome stressful situations. Furthermore, the effects of these leadership variables on team performance were strongly mediated by its impact on the emotional climate of these same teams.

Emergence of Leadership

While the bulk of recent research and theory on the emotional aspects of leadership have focused on appointed leaders who have formal authority and power, some recent work has focused on situations where leaders can emerge informally, as in the case of self-directed work groups. In such cases, questions arise as to how emotional factors come to bear on who emerges as influential, leading members of the group and what roles these emergent leaders play in the emotional experiences of the group. One suggestion is that members who are seen to be managing the emotional dynamics of the group are likely to emerge as leaders (Wolff, Pescosolido, & Druskat, 2002). Of course, groups can be faced with an assortment of emotional issues that arise out of various events and circumstances. Pescosolido (2002) suggests that one area where emergent leaders perhaps can be especially useful is in helping the team deal with ambiguous situations that are characterized by emotional uncertainty. Expressive displays made by the emerging leader can function as a type of “emotional modeling” that leads the team to reduce ambiguity and give meaning to situations and outcomes.

Several attempts have been made to examine the presumption that emotional intelligence is predictive of transformational leadership (Barling, Slater, & Kelloway, 2000; Gardner & Stough, 2002; Palmer, Walls, Burgess, & Stough, 2001; Sivanathan & Fekken, 2002). These correlational studies compare the emotional intelligence scores (as measured by various instruments) against scores on measures of transformational leadership. The results of these studies, while hardly definitive, are suggestive of a generally positive link between a leaders’ emotional intelligence and their ratings on transformational leadership criteria. Empathy is often cited as a crucial element of emotional intelligence, and, as either a behavioral display or as an ability, it has been of particular interest to leadership researchers, especially those working within a transformational leadership frame of reference (e.g., Ashkanasy & Tse, 2000; Bass & Avolio, 1990).

SUMMARY

We have so far reviewed three trends in research that are responsible for the growing attention to emotions in leadership: a general interest in emotions in the workplace; the emergence of EQ in popular and academic studies of leadership; and charismatic leadership. We can summarize from this review to say that the study of emotions in leadership is concerned with (1) naturally occurring emotions in reaction to work among leaders and followers and (2) with regulating one's own emotions and followers' emotions to reach certain goals. In addition, our review suggests that factors such as emotional intelligence may help to be an effective leader. However, forcing leaders to use emotional leadership may lead to problems such as emotionally manipulating followers or to the negative health effects of emotional labor found among other workers. Even when suggesting that emotional intelligence helps in being an effective leader, one question still remains unanswered: How do leaders deal with emotions and emotional expressions they are unfamiliar with, that is, what problems emerge in a cross-cultural context?

EMOTIONALIZING GLOBAL LEADERSHIP

It is difficult to argue against the general proposition that a proper understanding of leadership must acknowledge the importance of the emotional phenomena. And we believe there is now fairly widespread acceptance that leadership effectiveness is at least partially dependent on leaders being able to recognize and manage the emotional strains and currents that define their relationships with followers. Moreover, we suspect that many leaders these days feel compelled to interact at an emotional level with their followers, perhaps using emotional tools, in the sense of trying to show the respective, expected emotions, to inspire and motivate followers and to bend them toward the accomplishment of important organizational goals. That is, emotion work, whether it is motivated by authenticity and selflessness, or by deception and exploitation, seems now to be an important aspect of contemporary, progressive leadership ideology. However, the effective implementation of such an ideal is difficult enough when attempted within comfortable and familiar cultural contexts. But in this day and age of globalization, when leadership must often occur across cultural boundaries, and when leaders and followers must interact and establish productive relationships without the benefits of deep and tacit knowledge regarding each

others cultural traditions, deliberate efforts to emotionalize leadership will be even more challenging. It is likely to be fraught with difficulties, and ought to be exercised with extreme caution. This is an area where the practice ideology may be running ahead of scientific and cultural knowledge bases that ought to guide it.

The Example of Charismatic Leadership across Cultures

For example, there is some evidence that several features of charismatic and transformational leadership are universally endorsed across cultures (Den-Hartog, House, Hanges, Ruiz-Quintanilla, & Dorfman, 1999; Dorfman et al., 1997). However, there is considerable ambiguity regarding the specific expression of charisma, that is, what are the actual emotional displays of a leader that lead to the perception of charisma within different cultural contexts. Existing work advances our understanding of the acceptance of charismatic/transformational attributes in many cultures, but does not give much systematic insight into the culturally contingent emotional processes in the interaction between leader and follower that presumably lead to a perception of charismatic/transformational leadership. For example, it is one thing to discover that “inspiration” (an element of charismatic leadership) is a universally endorsed attribute of effective leadership. It is quite another thing, however, to be able to understand the emotional interplay between leaders and followers out of which inspiration is created.

Therefore, in our view, existing work falls short in at least two regards. First, emotional, feeling-descriptive concepts and attributes have not been a prominent part of existing work that has sought empirically to describe ideal leaders (i.e., leadership prototypes) within and across cultures (e.g., the GLOBE study). Thus, it is not easy to get a clear reading of the emotional aspects of culturally endorsed leadership based on the limited attributes commonly surveyed. Second, we need a better understanding of the emotions attached to these attributes.

Therefore, a wider array of affective attributes should be included in future research on culturally endorsed implicit leadership theories to gain more knowledge about culturally idealized features of the emotional dynamics of leadership. Affective attributes refer to the idea how leaders should cope with emotions in the context of work (such as “vindictive”). This approach would move us closer to an understanding of the deeper emotional strains of transformational/charismatic leadership and how it is likely to emerge within a cross- or multi-cultural setting.

Emotional Skills across Cultures

Within one's own cultural setting, skills linked to social and emotional intelligence may be deployed with a great deal of effectiveness. However, little research exists to suggest that the emotional skills and competencies honed and developed within a specific cultural context are transferable and effective in different cultural milieus. Indeed, it may be that individuals with high EQ in one culture may be very inept and uncomfortable in a different culture when confronted with emotional behaviors that may be quite foreign and opaque to them. The limited utility of social and emotional intelligence to predict cross-cultural effectiveness in general has spawned work on "cultural intelligence", defined as "a person's capacity for successful adaptation to new cultural settings, that is, for unfamiliar settings attributable to cultural context" (Earley & Ang, 2003, p. 9). Conceptually, the cultural intelligence ("CQ") concept sees social and emotional intelligence as culturally bound. CQ, in a sense, represents the adaptive ability to develop culture-specific social and emotional intelligence in many different cultural settings. Earley and Ang (2003) differentiate three facets of cultural intelligence, which are all essential to the concept: a cognitive facet, a motivational facet, and a behavioral facet.

The *cognitive facet* is composed of different types of knowledge. In order to be culturally intelligent it is necessary to have knowledge of oneself, to have knowledge of the social environment, and to have knowledge of information handling. However, the knowledge one has is not enough to be considered culturally intelligent. A person also has to be motivated to adapt to new cultural surroundings (*motivational facet*). This also includes the feeling of self-efficacy, meaning that one actually feels able to perform the necessary behaviors. Finally, the *behavioral facet* comes onboard. Knowledge and motivation may not be sufficient if the actual behavior that is required in a certain situation is not known or cannot be displayed.

It seems obvious that CQ would support leadership effectiveness in cross-cultural situations and relationship, almost by definition. However, there will be problems on several levels. Taking a closer look at the components of cultural intelligence, the surface level of understanding display rules, reading others correctly, and projecting the right emotions may be the easiest to achieve. However, showing a required behavior may be more problematic than it seems at first. Earley and Ang (2003) provide a good example for a knowledgeable, motivated person who still fails to show the required behavior when asked to eat a local delicacy, mainly consisting of bugs. This

example shows how difficult it is to be culturally intelligent. Consequently, chances for making emotional “mistakes” (i.e., reading and display) increase, meaning that individuals may misunderstand emotions and show the “wrong” emotions in a cross-cultural context, creating confusion and misunderstanding.

Emotions are better understood when they are expressed in a familiar style. For example, although the communication of emotions through facial expressions has a strong universal component, there is also evidence of an in-group advantage (Elfenbein & Ambady, 2002): People generally are more accurate at judging emotions when they are expressed by members of their own cultural group rather than by members of different cultural groups, though increased cultural contact reduces the difference (Elfenbein & Ambady, 2003a, b), and cultural distance appears to increase it.

The notion of cultural distance suggests the existence of emotional display “dialects” that may pose challenging problems in cross-cultural interactions (Marsh, Elfenbein, & Ambady, 2003). Perhaps CQ training can help leaders make these and similar cross-cultural adaptations, in the service of creating an emotionalized form of leadership, through dramaturgical means, e.g., working on self-presentation, scripting interactions, stage managing, and performing more culturally appropriate behaviors (Earley & Ang, 2003). But cross-cultural emotion work first of all assumes knowledge and motivation of the respective behavior and second, it may reside at the level of outward behaviors and displays and does not necessarily imply insight into the emotional processes that produced the underlying feeling and emotions that are displayed. These are not mere dialect differences on a universal base language (as in the case of facial displays) but rather more like wholly different emotional languages that must be understood by the leader. Consequently, there are likely to be huge within-group advantage in building up an emotionalized form of leadership. It seems reasonable to speculate that emotionalized forms such as charismatic leadership would be much easier to establish when the leader and the followers share the same cultural background because they understand the same underlying emotional language system.

Different Emotional Metaphors

Krone and Morgan (2000) provide one illustration of this. They focus on the starkly different emotional metaphors that are characteristic of Chinese managers from those that are more typical among Western managers. In

the West, a large number of emotional experiences are understood through the invocation of a “container” metaphor (Kovecses, 1990), whereas a metaphor of “homeostasis” is a better description of Chinese managers’ emotional behavior (Krone & Morgan, 2000). As the metaphor implies, Chinese managers typically regulate emotions steadily, so that they never show very intense emotions or, at least, try to avoid doing so. In addition, Chinese managers see emotions as much more connected to their actual profession than Western managers (used to) do. As Krone and Morgan (2000) put it for the Chinese: “Emotion is always present and is a natural part of doing business” (p. 93). In contrast, the container metaphor describes emotion “as a mass entity that can exist separately from a person and exert considerable power over him or her” (Krone & Morgan, 2000, p. 88). This view of emotions implies that they are dangerous. The point is that these different metaphorical descriptions reveal very different ways of experiencing and processing emotions in the workplace, they inform the emotion work of leadership accordingly, and emanate from deeply rooted, culturally bound socialization processes. Thus, leaders operating according to one culturally bound metaphor are unlikely to fully understand and appreciate followers’ emotional experiences as they are being processed within a different metaphorical system. For instance, we might speculate that the contrasting metaphorical differences pointed to by Krone and Morgan (2000) suggests that the characterization of affective experiences as event-based reactions (Weiss & Cropanzano, 1996) may be less important for describing Chinese managers whose experiences are more likely organized episodically (Kanfer & Klimoski, 2002) around broad issues and themes.

CONCLUSION

As this paper shows, attempts at emotionalizing leadership within a cross-cultural context, undertaken without deep cultural knowledge and without a sophisticated understanding of the provisional nature of the workings of emotions – their production and experience, and their control and regulation within difference cultures – are not likely to be effective. Global leaders, working within cross-cultural and multi-cultural contexts, should be careful when contemplating practices that are deliberately designed to emotionalize leadership. Such practices, if used ineptly, run the risk of producing great misunderstanding and distrust. Our advice: Be aware of the cultural context, proceed cautiously, and tread lightly.

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STRATEGIC VERSUS DIFFUSION PERSPECTIVES OF ORGANIZATIONAL CULTURE: IMPLICATIONS FOR EMPLOYEE COMMITMENT AND EXTRA ROLE BEHAVIOR IN THE CHINESE CONTEXT

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ABSTRACT

Existing literature on organizational culture focuses on the strategic fit between a firm's culture values and its technology and task environment. This study, however, emphasizes the diffusion perspective of organizational culture, that organizations often imitate cultures of successful firms to reduce uncertainty, resulting in a homogeneous set of organizational culture values that are considered universally beneficial to organizational functioning. Culture values falling into this category include modern values that emphasize innovation, risk-taking, and change, as opposed to more traditional values that focus on stability and consistency. Using

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1958 employees from 50 firms in Taiwan and Mainland China, we developed an organizational culture measure consisting of both modern and traditional organizational culture values. We showed that modern organizational culture values were considered beneficial even by employees with traditional personal values.

The topic of organizational culture has attracted research interests over the last two decades (Hofstede, Neuijen, Ohayv, & Sanders, 1990; Judge & Cable, 1997; O'Reilly, Chatman, & Caldwell, 1991; Salk & Brannen, 2000; Schein, 1990; Sheridan, 1992). Researchers commonly view organizational culture as part of the strategic orientation of a corporation (Denison & Mishra, 1995; O'Reilly et al., 1991) and find that organizational culture is critical to both individual attitudes and behaviors within organizations (O'Reilly et al., 1991; Sheridan, 1992) and organizational performance (Barney, 1986; Denison & Mishra, 1995; Wilkins & Ouchi, 1983). This paper offers a different view. Rather than focusing on the strategic role of organizational culture, it emphasizes diffusion of organizational culture, especially diffusion to emerging economies where firms are eager to imitate successful examples for legitimacy. This paper examines organizational culture in Mainland China and Taiwan where there has been remarkable growth in the past decade.

Although Mainland China and Taiwan differ in their economic and political infrastructures, they share the same roots in traditional Chinese culture and are highly collectivistic. Specifically, employees in China and Taiwan relate more readily to an in-group – whether it is defined according to extended family, place of origin, or networks based on other ties and interests such as places of schooling (Farh, Tsui, Xin, & Cheng, 1998). These in-groups in Mainland China and Taiwan experience periodic spasms of large-scale, intense conflict with other groups. Even instances of petty disagreement can, and often do, develop into bitter conflict at a major level between in-groups and out-groups, affecting not only organizational affairs but spilling over into the community. Furthermore, in Mainland China, the Communist ideology emphasizes equality and subordination of personal interests to state affairs. Citizens are expected to obey the core Communist doctrines and government directives. Given this historic context, one would expect organizations in China and Taiwan to value stability, integration, and respect for traditions. On the contrary, in both Taiwan and Mainland China, fueled by aspirations for economic growth and globalization, increasing numbers of firms have adopted organizational culture values that

promote innovation, encourage risk-taking, and emphasize outcome orientation, values that are prevalent in the Western context and are to some degree countering culture values in Chinese traditions.

Although it is possible that organizations in Mainland China and Taiwan adopted organizational cultures prevalent in the Western context due to strategic concerns, we contend that the diffusion process accounts for why certain features of organizational culture become more popular than do others.

Diffusion is the socially mediated spread of some practices within a population (Strang & Meyer, 1993). The diffusion process is often determined by social factors that are unrelated to the nature of the practices being spread. For example, Abrahamson and Fairchild (1999) showed that certain organizational practices, such as “total quality management” diffuse as fads, spreading beyond contextual boundaries without which these practices are wasteful efforts. Organizational culture enhances a company’s competitive advantage because it establishes congruence among the firm’s resources, technology, and external environment and induces desired employee behavior, such as commitment to the firm and altruistic actions – behaviors helpful to the firm but not part of employees’ job duties. However, these congruencies are often lost in the process of diffusion such that benefits of certain organizational cultures (e.g., innovation and outcome orientation) are taken for granted. Hence, organizations often adopt organizational culture not because it fits their technology and environment but because it is popular and other firms have adopted it.

This paper focuses on developing an organizational culture conceptualization based on the perspective of diffusion. We propose that two general types of organizational culture co-exist: modern culture – organizational culture that is related to innovation, adaptation, and modernization; and traditional culture – organizational culture that focuses on stability and conserving traditions. We argue that the former has been generally viewed as positive and advanced, whereas the latter has been viewed as negative and obsolete. This difference in perception is particularly strong when particular organizational culture values diffuse to a country with different national culture values, in which case aspects of organizational culture are often adopted at face value. Using samples from Taiwan and Mainland China, we explore the two-dimensional construct of organizational culture using exploratory factor analysis and empirically test whether the presence of modern culture or traditional culture in companies is associated with employee commitment and extra role behavior. We provide further evidence for the diffusion perspective of organizational culture by showing that modern

culture values are considered positive and advanced even by employees with traditional personal values (i.e., readiness to accept managerial authority).

ORGANIZATIONAL CULTURE AND STRATEGIC ORIENTATION

According to Schein (1990), culture exists simultaneously on three levels: on the surface are artifacts, underneath artifacts lie values, and at the core are basic assumptions. Assumptions represent taken-for-granted beliefs about reality and human nature. Values are social principles, philosophies, goals, and standards considered to have intrinsic worth. Artifacts are the visible, tangible, and audible results of activities grounded in values and assumptions. Organizational culture represents a shared value system of inter-related ideas shaped by organizational history and members' expectations. It is developed through a process of group learning over a period of time as that group solves its problems arising from the external environment and in response to the need for internal integration (Schein, 1990). Organizational researchers have developed typologies of organizational culture or culture traits to describe successful firms (Cheng, 1998; Denison & Mishra, 1995; Hofstede et al., 1990; O'Reilly et al., 1991).

Hofstede et al. (1990) reported six dimensions of organizational cultures: process oriented vs. results oriented, employee oriented vs. job oriented, parochial vs. professional, open system vs. closed system, loose control vs. tight control, and normative vs. pragmatic. These six dimensions were not prescriptive – no position on one of the six dimensions is intrinsically good or bad. Instead, they were based on firms' strategic choices.

Likewise, Denison and Mishra (1995), using a qualitative research method, developed a four-category typology of organizational culture based on two factors: (1) the extent to which the competitive environment requires flexibility or stability and (2) the extent to which the strategic focus and strength is internal or external. *Adaptability* is characterized by a strategic focus on the external environment through flexibility and change to meet customer needs. This culture encourages norms and beliefs that support the capacity of the organization to detect, interpret, and translate signals from the environment into new behavioral responses. Innovation, creativity, and risk-taking are valued and rewarded. A *mission* culture is characterized by an emphasis on a clear vision of the organization's purpose and on the achievement of goals, such as sales growth, profitability, or

market share. An *involvement* culture has a primary focus on participation of the organization's members and on rapidly changing expectations from the external environment. This culture more than any other culture focuses on the needs of employees as the route to high performance. A *consistency* culture has an internal focus and a consistency orientation in a stable environment. This culture supports a methodical approach to doing business.

Not coincidentally, the organizational culture conceptualization developed by Denison and Mishra (1995) overlaps to a great extent with an organizational culture profile (OCP) model developed earlier by O'Reilly et al. (1991). O'Reilly et al. (1991) identified a OCP including seven dimensions with a total of 54 value statements through an extensive literature review on organizational values and culture. Among the seven dimensions, the *innovation* dimension includes statements that emphasize innovation, risk-taking, and experimenting; the *outcome orientation* dimension emphasizes achievement, high expectations, and results. Both of them resemble the mission culture proposed by Denison and Mishra (1995). The *team orientation* dimension in OCP includes value statements describing norms of collaboration and teamwork in the organization and the respect for people dimension includes value statements describing norms of fairness and tolerance. They are consistent with the employee emphasis described in the involvement culture in Denison and Mishra (1995). The *stability dimension* in OCP is similar to the consistency dimension in Denison and Mishra (1995). It includes value statements describing an organization's norms of predictability and rule orientation. The other two OCP dimensions, are the *detail-orientation* dimension, which includes value statements describing an organization as having norms stressing the values of being highly analytical with an orientation toward precision and accuracy, and the *aggressiveness dimension*, which includes value statements describing norms of competition in an organization.

The focus on strategic orientation is apparent in the three described organizational culture conceptualizations. Both Hofstede et al. (1990) and Denison and Mishra (1995) generated organizational culture dimensions based on companies' strategic choices. Although O'Reilly et al. (1991) did not derive their OCP measures from a strategic orientation standpoint, their model closely resembles the model of Denison and Mishra (1995). More importantly, all three models emphasize the congruencies between organizational culture and other organizational contexts such as technology and human resources. In other words, as noted by Hofstede et al. (1990), there is no absolutely positive or negative organizational culture dimension. Impacts of organizational culture on organizational performance should always depend

on the specific context. For instance, O'Reilly et al. (1991) found that the fit between organizational culture values and the values of employees predicted employees' commitment, job satisfaction, and intent to leave.

This strategic or contingency view of organizational culture can be traced back to Thompson's analysis of firms' contingencies among technology, task environment, and structure (Thompson, 1967). The role of organizational culture is also constrained by firms' contexts, including available technology (Chatman & Jehn, 1994). For instance, emphasis on stability or consistency is likely to be more important in firms with long-link technology (e.g., assembly line) than in those with intensive technology (e.g., consulting firms).

ORGANIZATIONAL CULTURE AND DIFFUSION

Because of the central role of organizational culture in strategic planning, the organizational cultures of successful firms often become the target of imitation by other firms to reduce uncertainty, gain legitimacy, or enhance competitive advantage. Although exact copying of the culture of an organization is unlikely nor is it possible (Barney, 1986), certain elements of organizational culture have been popularized without much consideration of contextual contingencies. In particular, organizational culture that promotes innovation, risk-taking, change, and adaptation has been considered positive, scientific, and modern, whereas a culture that emphasizes consistency and stability is stereotyped as obsolete and conservative. Admittedly, the popularization of the innovation and adaptation culture is to some extent due to fast-developing technologies and the ever-changing environment. These are not the only factors that facilitate the diffusion of modern organizational cultures, however.

Strang and Meyer (1993) argued that diffusion could occur through societal culture linkages, or common understandings. That is, the understanding that social entities belong to a common social category it constructs a tie between them. Such ties, while easily represented in graph-theoretic terms, invoke a different substantive imagery from that of direct relations such as friendship and exchange. For example, rapid diffusion within the world system seems linked to the homogeneous cultural construction of contemporary nation-states. The universal practice of education seems to be another example of diffusion through the common cultural understanding of education. The influence of education on diffusion goes beyond the plethora of MBA-type education programs. There are more profound channels. The

one with the greatest influence is the positivist methodology in modern science, the education of which can be traced back to primary schools in most countries.

Strang and Meyer (1993) highlighted one particular common understanding and its role on diffusion of concepts – modernity. According to these authors, “modernity” itself is a source of legitimacy and is a cultural category that allows abundant social materials to flow within it; it connotes the organization of society and the nation-state around universalized notions of progress and justice, as built up from rationalized organizations and associations, and as composed of autonomous, rational, and purposive individual citizens. Modernity implies the integrated functioning of these elements so that collective goods are enhanced by individual and organizational progress and contribute to such progress (Strang & Meyer, 1993). From this perspective, then, the rapid diffusion of contemporary social practices can all be understood in that they have the same legitimate purposes, they depend on the same technologies legitimated on the same grounds, and they have the same relatively scientific conceptions of basic resources, remarkably similar definitions of human nature, collective authority, and social control, permitting “innovations” in these areas to flow rapidly. In addition, other than the standardization, the impact of modernity on diffusion also consists of symbolic features. The word “modern” itself carries meanings of superiority over “tradition,” “old,” or “obsolete.” Practices backed up by modern conceptions will diffuse more rapidly than practices without such a label. Thus, some may see that the label of “scientific” actually contributed to the proliferation of “scientific management.” Others can easily attribute the successful spread of “innovation” not only to its substance but also the meaning attached to the word.

In particular, the concept of innovation is so deeply embedded in our common understanding of modernity that MBAs seeking to diffuse or market products are often advised to position or “reposition” them as innovations (Whitson & Hirsch, 2004). The relationship between innovation and diffusion is also illustrated in cases and texts, such as *Four Products: Predicting Diffusion* (Gourville, 2006), or *Business Innovation: The MTR's eInstant Bonus Project* (Farhoomand & Phoebe, 2002). The symbolic value of innovation as an aspect of organizational culture is apparent in a quotation from Rogers¹ in a recent interview, “Typically, the problem is an innovation that *appears* to be beneficial, *appears* to have benefits to its users, but it doesn't have very many users. So often the goal is to speed up the diffusion process” (emphasis added) (McGrath & Zell, 2001). In other words, a company may adopt an innovative culture simply because it has

positive connotations, without knowing specific contextual contingencies that are critical for the culture value to be beneficial.

Note that we are not suggesting that only organizational cultures that emphasize innovation and risk-taking spread, while those that focus on stability do not. If that were the case, we would expect there to be no companies with a traditional organizational culture, which is certainly not the case. Not only have organizational cultures that focus on stability and consistency always been factors in existing organizational culture conceptualizations (Denison & Mishra, 1995; O'Reilly et al., 1991), but there are also many companies that value stability and avoid risk, especially in Chinese context. Instead, we suggest that the innovation and risk-taking cultures diffuse at a greater speed than the stability cultures. More importantly, we contend that organizational cultures that promote innovation, adaptation, change, etc. diffuse not only because of the nature of task environments that companies face today, but also because of social-mediating factors – the positive connotations of these culture values in association with modernity. On the contrary, the adoption of traditional organizational culture values is mostly due to the task environment and technology (e.g., a company with long-link technologies are likely to value stability and consistency). Thus, the key point is not how many companies have adopted organizational cultures that value innovation and risk-taking, but why have companies adopted these values and what are the consequences of such adoption.

Therefore, an instrument that allows the decoupling between strategy and adoption of organizational culture by contrasting organizational cultures that are accelerated by diffusion processes (e.g., innovation, risk-taking, adaptation, etc.) with those that are not (e.g., stability, tradition, consistency, etc.) would not only further our understanding of organizational culture and its impact on performance, but also help establish a picture of how organizational culture spreads in the world system in general and in the Chinese context in particular.

Based on our discussion, we expect two organizational culture dimensions among the Chinese firms in our sample: one that emphasizes innovation, adaptation, change, risk-seeking, etc.; the other focuses on consistency, stability, and respect for tradition. The contrast between these two should constitute a more precise picture of organizational culture from the perspective of diffusion than the previous models of organizational culture derived from firms' strategic orientations (Denison & Mishra, 1995; O'Reilly et al., 1991).

Because understanding of what constitutes modernity is shared at a much broader level (i.e., it transcends national boundaries) than local knowledge

or contextual contingencies in particular, organizational culture that diffuses outside of a nation's boundaries would be particularly likely to be decoupled from its contextual contingencies. Thus, we use samples from Taiwan and the Chinese mainland to examine the presence of the two organizational culture dimensions that we have derived from the above analysis to provide evidence for the diffusion perspective by using employee's personal values as a contingency variable.

ORGANIZATIONAL CULTURE AND PERSONAL VALUES OF EMPLOYEES

O'Reilly et al. (1991) found that a company's ability to harvest the benefits of organizational culture depends on its employees' personal values, at least in Chinese context where changing values among people have been observed (Egri & Ralston, 2004; Farh, Earley, & Lin, 1997; Ralston, Holt, Terpstra, & Yu, 1997). Employees who have personal values that fit companies' cultures are more likely to develop stronger organizational commitment and are less likely to leave the company than are those who have values that do not fit organizational culture. Employees' personal values, then, are critical contingencies for organizational culture to become a part of the firm's competitive advantage. Specifically, employees with traditional values should prefer to work for a company with a traditional organizational culture, whereas those with modern values should prefer to work for a firm with a modern organizational culture.

The diffusion perspective, however, leads to a different prediction. The core of the diffusion perspective of organizational culture is the decoupling of organizational culture from contextual contingencies. Because modern organizational culture values diffuse due to their positive connotations (i.e., the association with the common understanding of modernity), people generally perceive them to be desirable regardless of their own personal values. In other words, the modern organizational culture and its contingencies (i.e., personal values) are decoupled in the diffusion process. Traditional organizational culture values, however, are adopted probably because they fit a company's technology and task environment. Impacts of these culture values should then be moderated by important contingencies, i.e., employees' personal values in this case. Thus, contrary to the strategic orientation perspective, the diffusion perspective predicts that contingencies (i.e., personal values) are important only to traditional organizational culture values but not to modern organizational culture values.

Taiwan and Mainland China provide a great opportunity to examine the comparison between the diffusion perspective and the strategic orientation perspective of organizational culture because of the presence of modern and traditional firms as well as the variation in the people's traditional values. According to Hofstede (1980), China has very high power distance, meaning that Chinese people generally accept an unequal distribution of power in institutions and organizations and, hence, are more likely to submit to those with power and less likely to challenge the status quo. Respect for authority, thus, sits in the very core of the Chinese cultural value system. Although respect for authority has been conceptualized as a societal culture value, it also has within-culture variance. As demonstrated by Yang, Yu, and Yeh (1989), Farh and Cheng (2000), and Farh et al. (1997), a society could have individuals with high respect for authority and individuals with low respect for authority. Such variance in respect for authority would describe contemporary Chinese people with the surge toward modernization in both economic and social spheres of life. The more traditional Chinese are more likely than people from the West to submit themselves to authorities, to follow rules and regulations, and not to take risks. Their core personal values are more congruent with traditional organizational culture than values emphasizing innovation, outcome orientation, change, and adaptation. Conversely, individuals in China who have become less traditional, more individualistic, and open to change (Egri & Ralston, 2004) respond better to organizations with the modern organizational culture of innovation and change. Thus, respect for authority is a good indicator of the personal values of modernity and traditionality among employees. Employees who score high on respect for authority are more traditional and less modern, whereas those low on respect for authority are more modern and less traditional.

Therefore, based on the diffusion perspective and using respect for authority as a measure for the personal values of modernity and traditionality, we predict:

Hypothesis 1. Respect for authority will moderate the relationship between traditional organizational culture and employees' commitment to the organization and their extra role behaviors. Traditional organizational culture is positively related to commitment and extra role behaviors among employees with high respect for authority. For those with low respect for authority, this relationship is either negative or not significant.

Hypothesis 2. Respect for authority will not moderate the relationship between modern organizational culture and employees' organizational

commitment and extra role behaviors. Modern organizational culture is positively associated with commitment and extra role behaviors among employees with either high or low respect for authority.

METHOD

Sample

Our sample consists of 1958 individuals, 52.1% of them from Taiwan and 47.9% from the Chinese mainland. Among all the participants, about 54% were under 30 years old, 40% were between age of 31 and 45, and only 10% were older than 46 years old. Of the participants, 43.2% were female; 40% had high school or lower education; 30% had vocational education, and the remaining 30% had college or graduate-level education. Almost 75% of them were non-managers – either working as production workers or office staff. The remaining 25% were managers at varying organizational levels. Regarding organizational tenure, 45% of the participants had worked for their companies for three years or less, 28% had worked at the same company between four to seven years, and 27% had worked for more than eight years.

Our participants came from 50 firms. The number of participants from each firm ranged from 2 to 279, with an average of 31 employees per company. Among the 50 firms, 11 were in Taiwan and 39 were in the Chinese mainland. We tried to make sure that the mainland and Taiwanese samples were comparable. For example, all the enterprises studied were in the electronics, food, and service industries. In addition, all our participating Taiwanese companies had PRC subsidiaries, and most of these subsidiaries were also included in the PRC sample. Within each selected enterprise, employees of all ranks were invited to participate in the survey.

MEASURES

Organizational Culture

We identified culture values that adequately capture the two types of organizational cultures in the Chinese context. Two items were identified to measure emphasis on innovation: (1) encourage innovation and invention and (2) willing to take risks. Six items were identified to measure outcome

orientation: (1) strive for excellence and improvement, (2) diligence and dedication to work, (3) sacrifice and devotion to service, (4) emphasize priorities of customers, (5) emphasize technical excellence, and (6) cost effectiveness. Six items best captured an emphasis on human resources: (1) respect for individual preferences, (2) fairness in administering rewards and sanctions by the supervisor, (3) value employee opinions, (4) value human resources, (5) effective teamwork, and (6) objective criteria in decision making. Finally, five items represented traditional organizational culture. They include (1) emphasis on stability, formality, and appearance; (2) submit to authority and leadership; (3) value interpersonal relationships; (4) maintain traditional customs; and (5) emphasis on academic degrees and diplomas. Many of our items are similar to organizational culture measures in the West though some of the wordings have been localized to reflect local meanings. Respondents were asked to indicate the extent to which these values were emphasized in actual work practices in their organizations on a 6-point Likert scale (1 = strongly disagree, 6 = strongly agree).

An exploratory factor analysis was conducted at the organizational level to investigate the structure of the organizational culture measures.² Using Kaiser's criterion, we retained two factors. One of the factors consists of cultural values that emphasize innovation, performance orientation, and adaptation. They represent the modern view of organization management and are consistent with fast-changing technology and environments. We label this factor as modern culture because it consists of items that refer to the active pursuit of experimentation, change, and growth. The other dimension consists of cultural values about conservatism and stability, representing the traditional organizational culture. Factor analysis results on organizational culture items shown in Table 1. We used the unweighted average score of the items for each scale to represent the respective organizational culture score.

Employee Personal Values

According to Farh et al. (1997) and Yang (1993), a core idea in traditional Chinese society is respect for authority. This indigenous construct is conceptually similar to the notion of power distance (Hofstede, 1980), which has been shown to be a useful cultural moderator in recent research (e.g., Brockner et al., 2001; Lee, Pillutla, & Law, 2000). To capture the construct of respect for authority in the context of business organizations, four items were created to measure individual's willingness to defer to management decisions and comply with managerial authority: (1) all important decisions

Table 1. Factor Analysis Results of Organizational Culture (*N* = 50).

	Items	Modern Culture	Traditional Culture
1	Value human resources	0.89	
2	Effective teamwork	0.89	
3	Strive for excellence and improvement	0.87	
4	Emphasize the priority of customers	0.86	
5	Be fair in administering rewards and sanctions	0.86	
6	Value employee opinions	0.84	
7	Emphasize diligence and dedication to work	0.81	0.38
8	Emphasize objective criteria in decision making criterion	0.79	
9	Encourage sacrifice and devotion to service	0.76	0.30
10	Encourage innovation and invention	0.71	
11	Willing to take risk	0.70	
12	Respect for individual preference	0.69	
13	Emphasize technical excellence	0.68	
14	Submission to authority and leadership		0.77
15	Emphasize cost effectiveness		0.70
16	Value interpersonal relationship		0.70
17	Emphasize academic degrees and diplomas		0.66
18	Emphasize formality and appearance	-0.43	0.65
19	Maintain traditional customs		0.61
	Cronbach alpha	0.95	0.78

Note: (1) Extraction method: principal component analysis; Rotation method: Varimax with Kaiser normalization. (2) Loadings lower than 0.3 are suppressed.

in an organization should be determined by management; (2) a superior may reprimand a subordinate in public for poor performance; (3) success in my organization is mainly due to the effort and leadership of the management; and (4) a subordinate should pay close attention to a superior’s instructions and be willing to repent and follow (see Farh & Cheng, 2000, p. 110). Respondents were asked to indicate the extent to which they agreed to each statement on a 6-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = slightly disagree, 4 = slightly agree, 5 = agree, 6 = strongly agree). The same set of Chinese items was used in Taiwan and the Chinese mainland. The Cronbach alpha for this scale is a bit low (0.57).

Organizational Commitment

This was measured by a six-item scale taken from Farh et al. (1998). Farh et al.'s scale was an abbreviated version of the 15-item scale by Mowday, Steers, and Porter (1979). The Cronbach alpha for the six items was 0.76.

Extra-Role Behavior

Previous research (Farh et al., 1997; Smith, Organ, & Near, 1983) has identified altruism and conscientiousness as core dimensions of organizational citizenship behavior. We adopted six items from previous research focusing on altruism and conscientiousness to measure extra-role behavior. These items were (1) when my colleagues are absent, I am willing to help out with their work; (2) I am willing to give my time to help colleagues when they have unusually heavy workloads; (3) I am willing to perform extra work that is not required for my job; (4) even when I have a heavy workload, I will not finish up in haste; (5) at work, I rarely spend time in idle conversation; and (6) I am willing to work overtime even if there is no reward for this extra time working. The Cronbach alpha for those six items was 0.72.

Control Variables

Managerial level was included as a control variable in this study. Managers differ from employees regarding in their opinions of what behaviors performed by employees should be regarded as extra-role behaviors (Morrison, 1994). This difference in perception of job depth leads to differences in the likelihood of performing organizational citizenship behaviors. Managerial level is also expected to be associated with organizational commitment. Employees in higher-level jobs may differ systematically from employees in lower-level jobs in terms of attitudes they hold toward their organizations (Tsui, Pearce, Porter, & Tripoli, 1997). Managerial level was measured by asking a subject to fit his or her job into one the five categories: (1) first-line production, (2) general employee, (3) junior manager, (4) middle-level manager, and (5) senior manager. Demographic variables including age, gender, education level, and company tenure were also included as control variables.

Analyses

We tested the moderating effects of respect for authority on each of the organizational culture–outcome relationships using three-step regression

analyses. We first entered individual demographics including age, gender, education, and tenure and managerial level, into the regression equation. In the second step, we added the main effects of modern culture, traditional culture, and respect for authority into the regression equation. In the third step, interactions between respect for authority and each of the two organizational culture values were added. We tested the moderating effect of respect for authority by examining the changes in the R^2 attributable to the interaction terms and the regression coefficients. If the interaction term added to the final stage of the regression produced a significant R^2 change, which means that adding the interaction term significantly increased the amount of variance explained in the dependent variable, then respect for authority could be said to be a moderator of the culture–outcome relationship. Because the hypotheses involve interaction terms, common method variance is not a serious concern. However, to avoid potential multicollinearity among the main effects and the interaction terms, we centered the two organizational culture variables before entering the interaction terms (Cohen & Cohen, 1983).

RESULTS

The means, standard deviations, reliabilities, and intercorrelations of all variables are reported in Table 2. An examination of the zero-order correlations in Table 2 demonstrates that the modern organizational culture score was significantly related to both organizational commitment and self-reported employee extra-role behavior. Traditional culture values were not associated with either outcome. Results of the moderated regression analyses are summarized in Table 3.

As Table 3 shows, respect for authority has significant moderating effects on both traditional culture–commitment and traditional culture extra-role behavior relationships. The standardized beta coefficients were 1.47 ($p < 0.001$) and 1.04 ($p < 0.001$), respectively. Consistent with H1, the relationships between traditional culture and the outcomes of employee commitment and employee extra-role behavior are stronger when participants have high respect for authority. Consistent with H2, respect for authority does not moderate the relationship between modern organizational culture and employees' organizational commitment and extra-role behaviors. The moderating effects of respect for authority are shown in Figs. 1 and 2. We divided the whole sample into two groups using a median split according to the respect for authority score. Figs. 1 and 2 show that the relationships

Table 2. Mean, Standard Deviation and Intercorrelations of Predictor and Outcome Variables ($N = 1958$).

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10
1 Age	3.78	1.62	NA									
2 Gender	0.57	0.50	0.18**	NA								
3 Education	2.86	0.98	-0.17**	0.18**	NA							
4 Tenure	3.57	2.36	0.68**	0.06*	-0.26**	NA						
5 Joblevel	2.17	0.98	0.36**	0.21**	0.10**	0.32**	NA					
6 Respect for authority	3.42	0.84	0.10**	0.15**	-0.10**	0.08**	0.08**	(0.57)				
7 Modern culture	4.56	0.30	-0.13**	0.01	-0.11**	-0.16**	-0.20**	0.07**	(0.95)			
8 Traditional culture	4.20	0.24	0.02	0.09**	0.13**	0.07**	-0.12**	0.03	0.07**	(0.78)		
9 Commitment	4.14	0.76	0.14**	0.16**	-0.05*	0.02	0.10**	0.31**	0.27**	0.02	(0.76)	
10 OCB	4.56	0.63	0.06**	0.08**	0.06**	-0.02	0.07**	0.15**	0.11**	-0.02	0.52**	(0.72)

Note: Reliability coefficients for scales are listed in parentheses along the diagonal.

* $p < 0.05$.

** $p < 0.01$; two-tailed tests.

Table 3. Regression Results of Organizational Culture and Respect for Authority on Self-Reports of Commitment and Organizational Citizenship Behavior (*N* = 1958).

Variables	Commitment		OCB	
	Model 1	Model 2	Model 1	Model 2
<i>Control variables</i>				
Age	0.18**	0.18**	0.11**	0.11**
Gender	0.14**	0.07**	0.01	0.01
Education	-0.09**	-0.02	0.08**	0.08**
Job level	0.10**	0.09**	0.06*	0.06*
Tenure	-0.16**	-0.12**	-0.09**	-0.09**
<i>Individual values</i>				
Respect for authority	0.26**	-0.56	0.14**	-0.45
<i>Organizational culture</i>				
Modern culture	0.27**	0.47**	0.13**	0.24*
Traditional culture	0.02	-0.31**	-0.03	-0.26**
<i>Interaction effect</i>				
Respect for authority × Modern culture		-0.62+		-0.43
Respect for authority × Traditional culture		1.47**		1.04**
Change in <i>R</i> ²		0.007**		0.004*
Overall <i>R</i> ²		0.21		0.058
Overall model <i>F</i>		49.11**		11.32**

* *p* < 0.05.

***p* < 0.01; two tailed test.

between the traditional organizational culture and the outcome variables (self-reported extra-role behavior and organizational commitment) are positive among the employees with high respect for authority and negative among those with low respect for authority.

Table 3 further shows that managerial level and demographic variables are significantly related to commitment and extra-role behavior. In general, managers had higher levels of commitment and more extra role behaviors relative to employees. Gender was related only to commitment with female employees expressing a higher level of organizational commitment. Employees with higher educational level expressed a greater tendency to engage in extra-role behaviors. Lastly, modern organizational culture values are positively related to both employees' commitment and extra-role behaviors ($\beta = 0.27, p < 0.001$; $\beta = 0.13, p < 0.001$, respectively). Traditional culture values are not associated with either outcome variable.

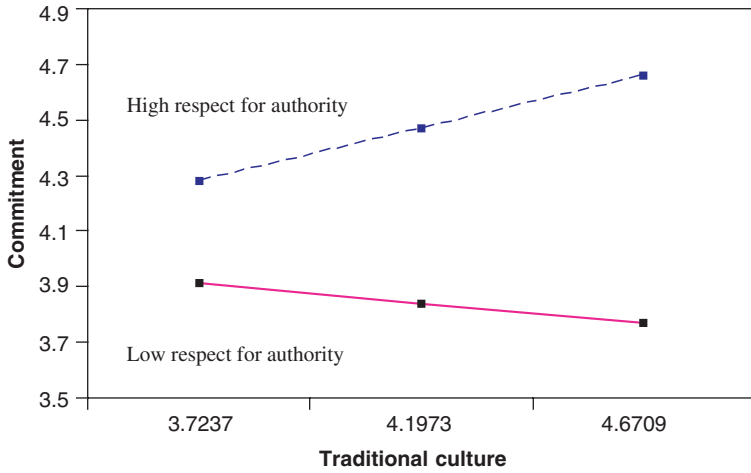


Fig. 1. Traditional Culture and Commitment Relationship, Moderated by Employee's Respect for Authority.



Fig. 2. Traditional Culture and Organizational Citizenship Behavior, Moderated by Employee's Respect for Authority.

DISCUSSION

Previous studies often view organizational culture from a strategic standpoint. Existing conceptualizations of organizational culture, thus, are almost synonymous with an organization's strategic orientation (Denison & Mishra, 1995; Hofstede et al., 1990). Without devaluing the strategic view of organizational culture, we proposed to examine organizational culture from a diffusion perspective and call attention to the role of various social-mediating factors in diffusion processes of organizational culture.

Using a Chinese sample and exploratory factor analysis, we generated a two-dimension organizational culture measure. One of the dimensions – modern organizational culture includes culture values that emphasize innovation, outcome orientation, and adaptation. The other dimension – traditional culture includes values that focus on consistency and stability. There are significant overlaps between this two-dimension measure and organizational culture measures in previous studies (Denison & Mishra, 1995; O'Reilly et al., 1991). For instance, modern culture in our measure encompasses both adaptability and the mission culture from Denison and Mishra (1995) and innovation from O'Reilly et al. (1991), whereas traditional culture covers the consistency and stability dimension from Denison and Mishra (1995) and O'Reilly et al. (1991), respectively. Nevertheless, the two-dimension organizational culture measure is a more precise description of organizational culture from the diffusion perspective because it provides researchers with a direct contrast between organizational culture values that are decoupled from important contingencies (i.e., modern culture) and those that are not (i.e., traditional culture). Moreover, the modern–traditional culture contrast also demonstrates the role that modernity plays as the social mediating factor in the diffusion processes of modern organizational culture.

In addition to the exploratory factor analysis, we used respect for authority as an individual-level indicator for organizational culture. Consistent with the diffusion perspective, our data showed that respect for authority only moderated the relationship between traditional organizational culture and employees' commitment and extra-role behaviors but not that between modern organizational culture and employee commitment and extra-role behaviors. The fact that employees with strong traditional personal values developed stronger commitment to modern culture organizations and displayed more extra-role behaviors in modern organizations than employees with less traditional personal values is a good indicator of the decoupling between modern organizational culture and contextual contingencies,

suggesting that modern organizational culture diffuses through its positive association with the concept of modernity.

This finding seems to contradict findings from the person–organization fit literature (O'Reilly et al., 1991). However, studies examining the person–organization fit typically measure personal characteristics and organizational culture using the same organizational preference instrument (i.e., OCP), whereas we used a personal value measure that is deeply rooted in national culture (i.e., respect for authority). The problem with using OCP to measure personal characteristics is that it includes a lot of random variation. For instance, an employee may have watched a video about the damage of nuclear bombs before he or she took the OCP and decided that he or she hates innovation and invention. Another employee may happen to hear the good news that his or her father's heart surgery has been very successful due to an innovative surgical procedure and hence fully embraces and values innovation in the OCP. In other words, preference over organizational practices does not necessarily reflect stable personal trait differences. This calls attention to the usefulness of using person–organization fit to predict important individual and organizational outcomes. On the contrary, respect for authority reflects stable and significant individual cultural values and sits in the very center of the Chinese cultural system. It constitutes a better measure for individual characteristics.

Another explanation for the seeming contradiction is the difference in the sample. China and Taiwan are experiencing surging economies and hence are eager to learn from the successful models in the West. However, they are also deeply embedded in their own legacies of the past including Chinese traditions and the former economic system in the Mainland China, which may become barriers to their learning capabilities. A direct consequence is that organization in the Chinese context may be particularly malleable to influences of social mediating factors in diffusion of organizational culture (i.e., common understanding of modernity) and over-rate the positive benefits of modern organizational culture.

Overall, our paper makes two significant contributions. First, previous studies on organizational culture were heavily anchored in the strategic orientation story. This paper calls attention to the diffusion perspective of organizational culture and suggests that modern organizational culture and important contingencies are often decoupled in the process of diffusion. Second, it calls attention to the possibility that what employees value personally and what they think is good in organizations can vary. The latter is often influenced by greater social contextual factors such as national culture

or management fads. This suggests that organizational culture should be evaluated in a larger context than within organizational boundaries.

There are some limitations to our study. First, we used respect for authority as a measure of both modernity and traditionality of employees' personal values, assuming that modernity and traditionality are two ends of the same continuum. This may not necessarily be true (Yang et al., 1989). Future researchers should examine the moderating effects of modernity. Second, we used only personal values as the contingencies. There are apparently other important contingencies in organizations such as technology and task environment. We should examine the role of these contingencies in future studies. Third, we should also examine organizational-level performance to explore the competitive advantage of modern culture in developing economies such as China or Taiwan. Lastly, we used self-rating of organizational citizenship behavior. Ideally, such data should be obtained from supervisors. However, common method variance is less a concern when the predication is based on interaction terms.

Finally, this study calls for future studies to investigate the diffusion perspective of organizational culture. We expect that imitation would be stronger in highly competitive industries. Yet, imitation reduces variance and firms lose their competitive advantage as more firms adopt such practices. How to be similar while maintaining distinctiveness is a challenge to managers not only in considering culture but also strategy in general.

NOTES

1. Everett M. Rogers is one of the leading scholars on diffusion and author of the book *Diffusion of Innovations*.

2. Because organizational culture is an organizational-level variable, we conducted exploratory factor analysis at the organization level by aggregating individual-level responses. We calculated inter-rater reliability (i.e., Rwg) to ensure the convergence of culture at the organization level. Rwg's across all companies were in the range 0.93–0.99 with a mean of 0.95.

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REFRAMING GLOBAL MINDSET: FROM THINKING TO ACTING[☆]

Vladimir Pucik

ABSTRACT

In this paper, I consider the ways that global mindset contributes to the success of global firms. First, I review the evolution of the concept and answer the question “What is global mindset?” Then I describe the ways that management development programs and international mobility contribute to the development of a global mindset among managers in a global firm. Finally, I discuss two organizational processes designed to support the global mindset and make it actionable – the global performance management system and HR processes that support a culture of diversity.

Several years ago, Nokia Networks, a leading provider of infrastructure equipment for mobile telecommunications, participated in a benchmark study at IMD to see how managers interpret their companies’ global strategies. While Nokia’s corporate documents carefully explained the need to achieve dual objectives – global efficiency and local responsiveness – managers did

[☆]A number of ideas presented in this chapter emerged through my long-term collaboration with Paul Evans, Professor of Organization, INSEAD, and Tom Murtha, Professor of Strategic Management and Organization, University of Minnesota.

not understand the importance of this duality. The survey showed that managers in some parts of the company, such as product-focused business divisions, had a global orientation, while managers in other parts, such as sales and service companies in rapidly growing markets, had a local orientation. Both groups were convinced that their interpretation of corporate strategy was correct – it is the others who “do not understand” and make it difficult to execute effectively.

The initial reaction of most top executives to this finding was positive – “This is exactly the type of differentiated focus we need – strongly integrated product lines worrying about global economies of scale and locally oriented sales units worrying about local opportunities. We at the center then make the final decision.” However, on reflection, their view changed. They realized that differences in understanding of corporate strategy caused the conflicts, which were being pushed up to senior management for arbitration, overloading their own agendas, causing delays in decision-making, and leaving them little time to focus on institutional leadership. While the product managers indeed needed to be global, they also had to understand the need to work through the conflicts with local sales units, and vice versa – the local units needed to make sure that their sales initiatives were benefiting from and contributing to global synergies.

My experience with other global companies participating in our study shows that Nokia’s experience is not unusual. Many firms competing globally are being pushed in contradictory strategic directions. In order to survive and prosper in the new global competition, companies must embrace closer regional and global integration to cut cost and improve efficiency, while at the same time, meet demands for local responsiveness to increase local acceptance, flexibility, and speed. And, to further add to this complex task, demands for integration and responsiveness may vary from one subsidiary to another and from function to function.

These contradictory pressures represent a rather dramatic change from the early stages of internationalization when companies could align their organization around one simple strategic posture (Bartlett & Ghoshal, 1989). Some companies went international by following a mega-national strategy (Evans, Pucik, & Barsoux, 2002). When adopting this approach, the whole company is run in a centralized fashion across national boundaries. Worldwide facilities are typically centralized in the mother country, products are standardized, and overseas operations are used as delivery pipelines to serve international markets. In such a firm, there is tight control of strategic decisions, resources, and information by the central hub. As a result, the competitive strength of the mega-national firm is efficiency

produced by its global integration. However, the firm's ability to respond to variations in local conditions is limited.

In contrast, firms following a *multi-domestic* strategy (Evans et al., 2002) emphasize local differences by decentralizing responsibilities to their subsidiaries and local business units in order to be close to customers, to create a heightened sense of local accountability, and to encourage more local innovation and entrepreneurship. But, decentralization also has a down side. It often leads to reinventing the wheel, the not-invented-here syndrome, duplication of back office functions, slowness in responding to technology change, difficulties in dealing with matrix pressures, and lack of shared resources to respond to emerging needs. These costly by-products of decentralization often lead firms to try more centralization ... until bureaucracy, loss of responsiveness, and the inability to retain good people leads the pendulum to swing again to decentralization (Evans et al., 2002).

To avoid the swinging pendulum, some global companies have adopted an alternative approach designed to simultaneously reap the benefits of centralization and decentralization. They recognize that decentralization (local autonomy) and centralization (global integration) are not contradictory, but form a duality. They attempt to maximize both dimensions, thus achieving high integration while remaining locally responsive.

To achieve this end, companies must create the proper structure and processes. But structure and process alone cannot create this dual focus (Evans & Doz, 1989). Instead, the key to effective globalization is in the minds of people. Managers must frame problems in a way that recognizes the global nature of the firm. In short, managers must adopt a global mindset.

In the remainder of this paper, I consider the ways that global mindset contributes to the success of global firms. First, I review the evolution of the concept and answer the question "What is global mindset?" Then I consider how global mindset can be developed among managers in a global firm. Finally, I discuss the organizational processes required to make the global mindset actionable by facilitating behavior consistent with the mindset.

WHAT IS GLOBAL MINDSET?

In his classic typology of multinational firms, Perlmutter (1969) describes three types of companies. In an ethnocentric firm, each subsidiary is required to conform to the parent company's way of doing things regardless of local conditions. In a polycentric firm, each subsidiary is allowed to develop with minimal interference, providing it remains profitable. In a

geocentric firm, the subsidiaries are part of a whole whose focus is on worldwide as well as local objectives, each making its unique contribution with its unique competence (Perlmutter, 1969). Perlmutter then went on to argue that more “geocentric” managers would be needed in the future. Companies would need to find “the best men, regardless of nationality, to solve the company’s problem anywhere in the world” (Perlmutter, 1969, p. 13). Since then many authors have argued that creating more managers with a global mindset is a critical issue facing multinationals.

For example, early in his globalization efforts at ABB, Percy Barnevik, then the CEO, made an explicit decision that, out of a workforce of over 200,000, the company would need about 500 global managers, handpicked and monitored by him, and made ready to move across countries, functions, and businesses. This number proved to be far too few, creating severe coordination problems as the complexity facing the company increased beyond original expectations. It took the company some time and a major crisis (and several CEOs) to recognize the severity of its management capability gap.

Dual Perspectives on Global Mindset

Following Perlmutter’s recent classic research, studies of the global mindset have developed within two different, but complementary, perspectives: (1) a psychological approach, which describes the skills and psychological attributes of effective managers in multinational firms, and (2) a strategic approach, which examines the ways that the strategic orientation of the firm affects the attitudes and behavior of managers. Let us briefly review these two perspectives.

The Psychology of Global Mindset

Three perspectives contribute to the psychological approach to global mindset. First, several authors define global mindset as a set of competencies and psychological attributes. For example, Rhinesmith (1993) observed that people with global mindsets tend to approach the world in six ways that differentiate them from domestic managers. They have broader perspectives, seeking to understand the context for decisions and being suspicious of “one best way” solutions. They accept life as a balance of contradictory forces, thereby facilitating their ability to handle the tensions of organizational life. They trust process rather than structure to provide the flexibility required to deal with ambiguity, unexpected events, and other

needs of the global firm. They value diversity and believe that diversity can be used to enhance teamwork. Change is viewed as an opportunity rather than a threat. And they have the curiosity that leads them to be open to surprise and to the constant need to redefine boundaries, meanings, and indeed themselves.

Others have suggested that the global mindset is *the ability to accept and work with cultural diversity*, leading to research that tries to map out the skill or competency sets associated with this ability. Gupta and Govindarajan (2000) say that in a firm with a global mindset, in contrast to an ethnocentric mindset, managers accept diversity and heterogeneity as a source of opportunity. Kanter (1995) sees the global mindset as similar to a “cosmopolitan” rather than a “local” mindset, adopting the terms used by the sociologist Gouldner to describe the difference between people who identified with their profession as opposed to those who identified with the “local” interests of the firm. Adler and Bartholomew (1992) used the term “transnational manager” to indicate a global mindset. According to Adler and Bartholomew, the transnational manager is a cultural “citizen of the world,” defined by his or her knowledge and appreciation of many cultures and by the ability to move smoothly and expertly within cultures and countries on a daily basis throughout their careers.

Others focus on the skills associated with global effectiveness. In one of the few empirical studies of global effectiveness, researchers at Ashridge (Barham & Oates, 1991) studied 61 managers with track records of international success and found several competencies that distinguished successful international managers from those who did not have international experience. These competencies included the championing of international strategy (visioning the future), acting as a cross-border coach (giving and receiving feedback from international teams), cognitive complexity (the ability to step back and see new patterns), and emotional maturity (being able to handle emotional crises).

When this work is integrated, the psychological approach to global mindset presents a set of attributes and skills that contribute to effective leadership in a global corporation. However, this approach does not take into account the specific strategic focus of the firm. That is the focus of the strategic perspective on global mindset. The strategic perspective is concerned with mirroring the strategic dilemmas of the organization.

The Strategic Perspective on the Global Mindset

This perspective on global mindset focuses on a manager’s appreciation for the strategic challenges facing the firm. Because the global firm must

manage the contradictions of global integration, local responsiveness, and worldwide coordination,¹ this approach emphasizes the need for a “balanced perspective”:

Diverse roles and dispersed operations must be held together by a management mindset that understands the need for multiple strategic capabilities, views problems and opportunities from both local and global perspectives, and is willing to interact with others openly and flexibly. The task is not to build a sophisticated structure, but to create a matrix in the mind of managers. (Bartlett & Ghoshal, 1989, p. 212)

Thus the strategic perspective on global mindset refers to *a set of attitudes that predispose individuals to balance competing business, country, and functional priorities which emerge in international management processes, rather than to advocate any of these dimensions at the expense of the others* (Murtha, Lenway, & Bagozzi, 1998). It involves recognizing that organizational resources are deployed across all subunits and places high value on sharing information, knowledge, and experience across boundaries.

The emphasis on the strategic dimension of global mindset helps to differentiate between global and expatriate managers. The former are defined as executives who are able to balance the simultaneous demands of global integration and local responsiveness and who have an ability to work effectively across organizational, functional, and cross-cultural boundaries. They are expected to have a hands-on understanding of global business and perceive global competition as an opportunity. In short, global managers are defined by their broad, open, global *state of mind*. In contrast, expatriate managers are identified *by location*, as executives in leadership positions outside their home country (Pucik & Saba, 1998). Some global managers may be expatriates, but not all expatriates are global managers. The international management literature is full of examples of expatriates with an ethnocentric orientation (Black, Gregersen, & Mendenhall, 1992). At the same time, local managers in lead countries may not be expatriates, but they will need a global mindset.

Global Mindset Defined. Together, the psychological and the strategic perspectives provide a useful understanding of what a global mindset is. A manager with a global mindset understands the need for global integration and local responsiveness and works to optimize this duality. The global mindset includes an appreciation for diversity as well as homogeneity and an openness to learning from everywhere.

DEVELOPING THE GLOBAL MINDSET

Developing managers with a global mindset *starts at the top*. It is the responsibility of senior executives to articulate the global strategy of the firm and reinforce the importance of a global mindset in clear and consistent language, across all levels and units. During his tenure as ABB's first CEO, Percy Barnevik spent over 200 days per year visiting the operating companies around the world, personally presenting his vision of a global enterprise to thousands of managers and employees. For Barnevik, communicating the business vision, organizational values and management philosophy was not something that could be delegated. The same was true for GE's Jack Welch and other global leaders. Creating the proper context for the actions of the whole firm is the core of their leadership responsibilities.

Management Development Programs

Once the global vision is clearly understood, formal management development programs can be used to develop a global mindset among the participants. For example, in the late 1990s, Canon faced significant deterioration in the profitability of its European operations, which for several decades were run successfully in a very decentralized fashion. Each country essentially had a full-blown sales and service organization with little or no pan-European integration. However, with deteriorating profitability, top managers felt that more coordination and integration were required.

Defining a new structure for a more effective regional organization was not difficult. They created a strong European headquarters and a product line organization, supported by pan-European management processes. But, the real challenge was developing a pan-European mindset among previously locally oriented managers. This reframing was the key requirement for successful change (Pucik & Govinder, 2004).

To create this mindset, Canon made a massive investment in leadership development. Groups of key local managers spent three weeks at IMD over a six-month period (three weekly modules with virtual project team work in between). At IMD they were exposed to the rationale for the new strategy. They were asked to identify and explore opportunities to be derived from the new way of operating and they developed specific integration plans for their business units and functions.

In addition, and perhaps most important, the program at IMD created a network of relationships among key executives from the head office and all major locations throughout Europe. Indeed, global firms are increasingly going to rely on flexible networks of relationships to foster global integration and coordination. Therefore, a significant component of a leadership developmental process should focus on the development of networks to support a sense of common purpose, trust and cooperation among employees across the whole global organization.

International Mobility

International assignments can be used to reinforce and enhance the impact of formal global leadership programs on global mindset: international transfers, cross-border job swaps, or assignment to multi-cultural task forces and project teams are the most common. Indeed, cross-border mobility is one of the strongest mechanisms for developing global mindset. As shown already in the classic study by Edström and Galbraith (1977), international transfers help socialize people into the organization – teaching them how to cope with the dilemmas and challenges facing the global firm. But international assignments also support the development of a global mindset. These assignments help managers develop a portfolio of integrative leadership skills, helping them to learn how to deal effectively with the inevitable contradictions of a global assignment (championing global strategy, facing up to cross-border conflicts, handling complexity).

In addition, transfers enhance skills in handling cultural diversity. The person learns that there is more than one way of approaching a particular business or social issue, and that these different ways have some merits. This counteracts the tendency to think in terms of stereotypes. International transfers also create a network of cross-border personal relationships that can provide managers with rapid access to information and to other resources. These informal global networks supplement formal communication and may be seen as the core nervous system of the global firm.

However, it may be useful to differentiate between *demand-driven* and *learning-driven* international assignments (Pucik, 1992). The traditional expatriate jobs fit mainly in the former category; employees – in most cases managers or senior professionals – were dispatched abroad to control the foreign unit, to transfer knowledge or to solve a problem within the foreign unit. Learning was a secondary outcome. My experience tells me that most international assignments are still “demand-driven.” Expatriates are used because sufficient know-how is not available locally, or because the

authority of the center needs to be enforced. In other words, international managers are *teachers*, transferring new capabilities, or *enforcers* sent to maintain order.

Yet, as companies recognize that cross-border mobility is an indispensable tool for creating a global mindset, they are increasing the number of assignments where the primary driver is individual development. In fact, one might argue that in future the nature of cross-border mobility may change dramatically. With increasing sophistication of labor markets across the world there will be less need for knowledge transfer from the center, so that most international assignees will be *learners*, not teachers. They will learn through experience about market and cultural differences, while developing long-lasting networks of relationships – in the process enhancing the global mindset within the organization. And most importantly, they are likely to come from many parts of the organization, not just from the mother country.²

However, this new trend is not without barriers. International mobility can be very expensive, thus limiting the number of cross-border transfers to what the company can afford, not to what it needs. As a consequence, when global mindset and learning, rather than teaching, become the main reason behind the expatriation, it may be necessary to re-examine the rationale driving the traditional expatriate policies – changing the focus from financial incentives to learning opportunities.

At the same time, it is not just the expense that makes international mobility difficult. Social trends emerging across the world also increase the barriers to international transfer – dual career families, the constraints of children's education, parental care needs, fewer economic incentives to move, are all factors that may diminish the desire of employees to actively seek out international assignments. In response, global companies will have to become more and more creative in finding suitable alternatives to the traditional two- or three-year assignments. I believe that short-term cross-border transfers, international project work, and best practice exchanges and forums will greatly increase as tools to enhance global learning, global mindset, and global networks.

Whether long term or short term, international assignments are likely to remain the critical building blocks for developing global mindset. Therefore, transfers should commence relatively early in the professional career, when the learning impact is greatest, and become a part of an integrated career and development process. They should involve rotations across the whole global network, eventually to replace the traditional exchanges between the corporate center and country affiliates.

MAKING GLOBAL MINDSET ACTIONABLE

The development of global mindset through international assignments, action learning projects, formal education and other developmental experiences is an important first step, but this learning is unlikely to stick unless it is reinforced by organizational processes that foster decisions and behaviors consistent with a global orientation. I saw this clearly when working with Nokia Networks.

Nokia Networks relies heavily on international transfers to implement mobile telecom projects around the world. Our research showed that expatriate managers were far more “balanced” in their perspectives than their domestic counterparts, showing a high degree of understanding of the interplay between global and local forces and of the need for coordination. However, six months after they returned to their headquarters in Finland, there was no significant difference in mindset orientation between returned expatriates and those who had never left home. Re-polarization of the mindset appears to follow quickly. Like other managers in Finland, returnees refocused on the global aspects of the business. To combat this problem, Nokia adjusted the performance management metrics to support a more balanced perspective. The company also changed the incentive schemes and profit and loss accountability, because it was clear to them that appraisal and reward systems that undermine a global mindset and global behavior can become a serious obstacle in making global mindset actionable.

Global Performance Management

Global performance management starts with global objectives (i.e., objectives for the firm as a whole) and global performance indicators. The scorecard for measurement should be global in order to make the different mechanisms of horizontal coordination work in a synchronized manner.

Of course, the specific goals will vary from one business to another and from one subsidiary to another, and different units will have different strategic priorities – thus different performance indicators will be given different weight. However, having all units work toward the global objectives and having performance measured at the global level facilitates the resolution of conflicts across boundaries. At the same time, it is important that the inevitable tensions regarding priorities are explicitly recognized and that there are clear guidelines and guiding principles for how these should be handled – such as the customer must come first, the corporation second (including the business area and/or country), and the profit center third.

The second imperative is to recognize the conflict between individual job accountability and demands for lateral coordination and cross-boundary teamwork. This conflict is likely to be most acute when individuals are asked to work on horizontal cross-border projects and then penalized when this extra assignment interferes with performance in their own jobs. Therefore, global teamwork usually requires top management sponsorship, explicitly recognizing the benefits and contributions of global behavior.

Beyond this, the specifics of appraisal and rewards need to be carefully considered, because the right solution depends on the nature of the cross-boundary task. Rewards for full-time delivery projects should be based on overall performance, not on the performance of the individual members. However, when the extent of cross-border linkage is moderate, then the best way of appraising and rewarding individuals for working on cross-boundary projects is to emphasize growth and development. Problem-solving projects provide intrinsic rewards in terms of learning challenges, increased visibility, and opportunities to build personal social capital (Evans et al., 2002).

Appraisal and reward systems that take cross-boundary coordination activities into account are commonplace in organizations that are project-oriented, such as professional service firms, like McKinsey or Accenture. At these companies, senior partners spend up to a quarter of their time on this, collecting the views of clients, research and back office departments, managers and subordinates about the contribution of partners and managers (Ghoshal, 1991). In industrial firms, there has been a parallel spread of now well-known 360° appraisal systems, where the appraisal and reward decisions are based not only on the view of the boss but also on that of project peers and subordinates.

Approaches to performance management that emphasize both responsibility for local financial results and cross-border collaboration to achieve global strategy are not clear-cut. Some argue that compensation should be linked only to outcomes that the employee can influence. This would limit linking pay to global results (directly or via stock options) to only a few executives in the organization. Others point to the evidence that firm performance improves when the individual rewards are at least partially tied to broader objectives even for people at low levels (Milkovich & Newman, 1996). And of course, in some country or industry environments it is accepted that employees may share some of the firm-level risk, whereas elsewhere such choices may be constrained by custom or regulation.

What guidance does existing research provide? The evidence suggests that the effectiveness of a performance management system – from pay-for-performance to team-based pay, from stock options to executive

compensation – is highly dependent on cultural and institutional context. But, within these limits, a firm may use personnel selection and socialization processes to create its own unique, value-adding culture (Bloom & Milkovich, 1999). For example, an American firm operating in China can pay attention to selecting and socializing people who fit with its approach to performance management (and the other elements of the performance process in which this is embedded) – just as Southwest Airlines with its distinctive culture pays great attention to selecting people who will thrive there rather than in a more “traditional” US airline.³

It is the internal consistency and coherence of practices and norms that creates a powerful impact on global mindset. One cannot consider rewards separately from the other elements of performance management as well as the wider context of recruitment and socialization. In the same way, unless compensation is aligned to reward broader dimensions of performance beyond one’s job or immediate business unit, it is unlikely that we will see strong collaborative behavior, or support for wider global corporate initiatives. In other words, if global synergy matters, then a global company should apply a consistent set of performance management practices regardless of cultural differences, while at the same time investing in systems to select and socialize employees to fit this system.

Of course, performance management is not a panacea that exists in isolation from other organizational processes. It is up to the senior managers (business unit, function, and country leaders) to make global mindset actionable by creating conditions promoting cross-border coordination. Best practices forums, knowledge networks, international task forces, project teams, steering boards, and other cross-border coordinating mechanisms are all useful tools to support global mindset. However, it is important to remember that all these organizational mechanisms rest on a single foundation – person-to-person relationships built on trust and mutual respect. The fundamental requirement for global mindset to emerge in any organization is the recognition of diversity.

Supporting a Culture of Diversity

Making global mindset actionable depends on making global leadership development experiences open to all, not just those from the mother country or a few lead countries. When development opportunities are restricted (even if this is not intentional), local employees will inevitably tend to adopt local perspectives – that is the only direction for their own future. Thus a

key task for current global leaders and those responsible for development of the next generation of global executives is to ensure equitable access to career opportunities for talented employees worldwide.

But, where will the future global leaders come from? Will global opportunities be available to employees all over the world, or only to those located in one or a few key countries or regions? In this context, the key challenge in developing managers with a global mindset is to secure equitable access for talented employees worldwide to take advantage of available opportunities. From a long-term perspective, a truly global enterprise must satisfy a simple but demanding test: Does it matter for one's future success where an employee enters the organization? Today, there are probably only a few companies that can meet this benchmark, especially if global really means outside of the northern hemisphere. Among established multinational firms, how many have succeeded in developing a cadre of senior executives representing all continents in which the company operates? It takes decades of effort to ensure that selection criteria are not biased toward one cultural group and that early identification of talent works equally well in Karachi as in New York.

Why do these barriers persist? Historically, most operational HR activities in multinational firms were decentralized into individual country organizations. Such an approach is, in principle, logical – after all, the vast majority of employees are and always will be “local,” embedded in the local culture and impacted by the local legal and regulatory environment. However, when HR localization is taken too literally, and everyone is treated as local, who is then “global?” A natural outcome of this well-intentioned, but ultimately destructive, localization bias is that nationals of the country in which the corporate center is located are considered implicitly “global,” but all others are “local” with only a limited chance to advance on a corporate ladder. That's why the top leadership group, even among firms with extensive international experience, is generally not very representative of the employee population at large.

This deepening emphasis on global mindset requires a major shift in the HR orientation, as the ethnocentric and parochial HR systems and policies, inherited from the past and focused on a single country or a selected group of employees, are often the biggest barriers to the implementation of effective global human resources processes. The conventional focus of international HR is on selecting and supporting expatriates rather than serving the global employee population. In many corporations worldwide, the operational needs of the expatriate management system, much of it centered on compensation and benefit issues, still dominate the “international” agenda of the corporate human resource group.

Developing a global mindset inside the HR organization, including a deep understanding of the cultural and social context in which the firm operates, is the fundamental challenge facing many global firms. However, the role of HR should not be just to defend cultural traditions in the name of cultural diversity, but to implement the necessary organizational strategies with sensitivity to specific cultural influences. Unfortunately, where and how to “push,” and where to “give in” to cultural differences, is the kind of specific “global” knowledge that not many HR leaders today have had the opportunity to develop.

Understanding Global Diversity

Managers with a global mindset recognize the benefits that can flow to the whole organization from encouraging and valuing cultural diversity in people, not just as members of distinct cultural groups, but as individuals. Success in building cross-border networks of relationships – the principal arteries of effective global organizations – depends on understanding and valuing cultural diversity. Yet valuing diversity must go well beyond the traditional emphasis on bridging the distance between clusters of national cultures by focusing on average – and stereotypical – national characteristics. We have stopped stereotyping about gender; perhaps we should tackle culture with the same determination.

The barrier that hinders effective cross-cultural communication is not just the “average” distance between national cultures. Variations in norms and values within cultures are just as important as variations across cultures (Pucik, 1997). Respect for cultural diversity in organizations requires understanding differences “within a culture” as well as “across cultures.” In fact, it is because outsiders lack an understanding of the historical, political, and social context that creates “within-culture” differences that they often rely on overused general assumptions and stereotypes. For example, Western managers are told that because of the concept of “face,” direct feedback is nearly impossible to implement in China. However, Haier, one of the leading Chinese multinationals, uses very direct and public feedback. At Haier, the monthly appraisals of all managers are posted in the company cafeteria (Xin & Pucik, 2003) On average, it is probably true that most Chinese employees may resent direct negative feedback, but there are always those who accept this kind of “race-horse” environment as superior to the traditional emphasis on educational credentials and personal connections.

Therefore, a genuine emphasis on global mindset implies recognizing not only cultural diversity but also human diversity. The acceptance of diversity should also include tolerance of people who are not “global,” perhaps

because of lack of opportunities, or perhaps because of personal choice or circumstances. Anything taken to an extreme risks becoming pathological – global mindset is no exception. This is true for companies as well as for individuals. International management textbooks are full of examples of “dumb” multinationals and their managers that are not sensitive enough to cultural differences – which the savvy “globals” navigate with ease. But years of successful navigation sometimes make one forget about the rocks below the water line.

RETHINKING THE PARADIGM

During the last decade, the catchy slogan “Think globally, act locally” has often been used to capture the concept of a progressive global corporation which considers the whole world as its market, but which at the same time carefully nurtures and adapts to local priorities and requirements. Implementing this vision is, however, a longer and more difficult process than most companies envisioned.

Consider, for example, one multinational firm that used this popular slogan on the first page of its annual report. In response, one local subsidiary manager commented on its application in practice: “Our firm is organized on a simple premise. When operating under stress, and that is most of the time, *they* do the thinking, and *we* do the acting.” In other words, the thinking and acting are two separate roles, performed by two separate groups. The headquarters takes the strategic initiatives, which the locals are left to implement. Although such a paradoxical outcome may not be what was intended, it may be unavoidable when tensions embedded in managing a business on a global basis are dealt with by separating decision-making responsibilities without an adequate support for developing shared ways of thinking.

In contrast, the key argument presented in this chapter is that global mindset is about a capability to appreciate and balance global and local perspectives. In their passion to promote global mindset, academics and others writing from a normative perspective sometimes tend to see global or cosmopolitan as superior to local, calling for a “universal way that transcends the particulars of places” (Kanter, 1995, p. 60). What is “local” is seen as parochial and narrow-minded. However, in my view, global mindset requires an approach that may be seen as the opposite of such one-dimensional universalism – it calls for a dualistic perspective, an immersion in local particulars, while at the same time retaining a wider cross-border

perspective. It requires an emphasis on local learning for the benefit of the whole organization.

In fact, global mindset is as much about learning as it is about doing. To be truly global implies openness to learn from the experience of others, and to understand and appreciate how others (local customers, employees, or competitors) may think. Because the very specific needs of local customers must be carefully assessed, managers must learn and understand local context through *local* immersion. However, the ability to satisfy those needs with a superior value proposition is dependent on the *global* mobilization of corporate resources, be it leading edge technology, economies of scale, or global standards of performance and quality.

Perhaps the way to balance the global/local dilemma is to return to the logic of the globalization process. Today, leveraging R&D investments, manufacturing assets, logistics, IT infrastructure, service platforms, and operational know-how for competitive advantage requires a world-scale approach. At the same time, customer needs are increasingly individualized, and customers worldwide exhibit a strong preference to be treated as individuals – the secret of the business model implemented by Dell, Ritz-Carlton, and others. What, then, is the competitive advantage of a global firm? In simple terms, it is the ability to tap *global capabilities* and skills to satisfy *local customer needs*. It may be useful, therefore, to rephrase the original paradigm. Creating a global mindset inside an organization is really about developing leaders who *learn locally and act globally*. Perhaps a contradiction, but that is the nature of globalization.

NOTES

1. *Responsiveness* refers to decisions on resource commitments taken autonomously by a subsidiary in response to primarily local competitive, political or customer demands. *Integration* refers to the centralized management of dispersed assets and activities to achieve scale economies. *Coordination* refers to the level of lateral interactions within and among the network of affiliates with respect to business, function and value chain activities.

2. Obviously, the distinctions in expatriate roles are often not so sharp. Most employees on learning assignments should create value (learning by doing is often the best way to learn), thus responding to “demand.” On the other hand, there is an expectation that employees in “agency” positions implicitly learn from the context of their jobs, enlarging personal skills as well as organizational competencies. Probably the smallest opportunity for fulfilling the multiple agenda is in traditional short-term “problem-solving” roles where time and resource constraints may limit learning

opportunities. However, even here, appropriate mindset and sufficient support can make a difference.

3. Research on foreign companies in China shows significant differences in the degree of localization of practices such as recruitment, training, compensation, performance appraisal, and promotion criteria (Lu & Bjorkman, 1997).

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GETTING MORE THAN YOU EXPECT: GLOBAL LEADER INITIATIVE TO SPAN STRUCTURAL HOLES AND REPUTATIONAL EFFECTIVENESS

Linn Van Dyne and Soon Ang

ABSTRACT

In this chapter, we draw on social capital and role theories to develop a theoretical model of global leader initiative and reputational effectiveness in spanning structural holes. We define global leaders as those assigned to work locations outside the borders of their home country. Global leaders (by virtue of their global work assignments) occupy structural holes that span geographical boundaries. By definition, this position provides them with special opportunities to use their social capital to span these structural holes. Our model aims to make two key contributions. First, we focus on firm and individual factors that influence the extent to which global leaders proactively use their social capital. Second, we address local, corporate, and personal factors that influence the relationship between spanning behavior and reputational effectiveness. We discuss research implications for testing our propositions and practical implications for applying the model to work organizations, with an emphasis on the benefits of more effectively leveraging the social capital of global leaders.

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INTRODUCTION

You can't be a lone ranger and also be a global manager. (Jeffrey Immelt, Chair & CEO, General Electric)

"In search of global leaders". Special issue on Leadership in a Changed World. (*Harvard Business Review*, August 2003, p. 42)

As businesses globalize and compete in the world economy, they transfer managers to assignments overseas (Aycan & Kanungo, 1997; Black, Gregersen, Mendenhall, & Stroh, 1999; Evans, Pucik, & Barsoux, 2002; McCall & Hollenbeck, 2002; Takeuchi, Tesluk, Yun, & Lepak, 2005). This could mean transplanting executives from corporate to local subsidiaries or from one international subsidiary to another in a different country (Dowling, Welch, & Schuler, 1999). In this chapter, we refer to these managers as global leaders.

Organizations transfer managers as global leaders based primarily on their human capital (Evans et al., 2002). They select those with superior knowledge (business and technical), skills, and abilities that are needed in the host location (Adler, 2002; Ang, Van Dyne, & Leslie, 2006b; Black et al., 1999; Ones & Viswesvaran, 1997). Valuing global leaders purely for their human capital, however, is unduly restrictive. It leads to under-employment (Feldman & Bolino, 2000) and undermines the potential contributions of these professionals.

In this chapter, we propose that global leaders can offer much more than human capital (their knowledge, skills, and abilities accumulated through education and experience). Instead, we argue that firms should explicitly recognize the social capital (information and assets these individuals can access directly and indirectly through their personal and professional networks) that global leaders can use proactively to benefit the corporation, local or regional entity, and/or their personal relationships (Burt, 2000; Lin, 2001). Global leaders who are transplanted from one country to another naturally occupy structural holes in global networks that span geographic boundaries. Thus, they are in the unique position to make direct and indirect connections across national borders. These connections (their use of social capital) provide them with the opportunity to span structural holes. Thus they have value, not only for their human capital, but also for their global networks and ties (Nahapiet & Ghoshal, 1998). In developing our model, we argue that although all global leaders naturally occupy structural holes, not all global leaders are proactive in spanning these structural holes. In addition, we draw on Tsui's (1994) framework of reputational effectiveness, to

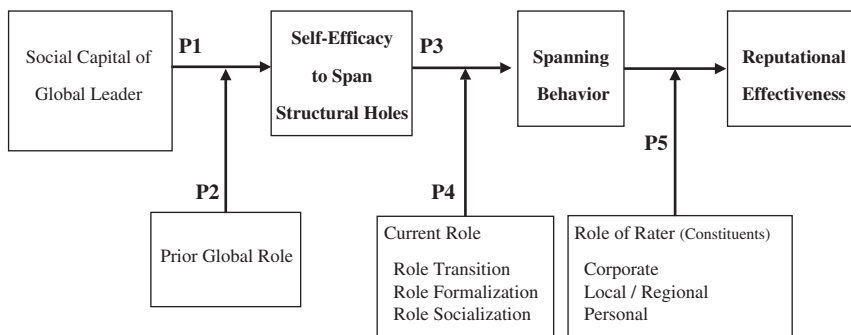


Fig. 1. Getting More than You Expect: The Role of Global Leaders in Spanning Structural Holes.

explicate why spanning efforts will not necessarily be viewed as effective by all constituencies in the global leader’s role set.

The primary aim of this chapter is to combine concepts from social capital and role theories to develop a model of theoretically based propositions about global leader initiative and effectiveness in spanning structural holes. Our model focuses on factors that organizations and managers can use to capitalize on the unique role occupied by global leaders in order to “get more than you expect”. More specifically, the first part of our model describes ways in which social capital, prior role, and current role can enhance the occurrence of spanning behavior. The second part of our model describes the importance of different members of the global leader’s role set (host country nationals, corporate/regional, and family) in evaluating reputational effectiveness of global leader spanning behaviors. Fig. 1 illustrates our model and provides an overview of our propositions.

We organize this chapter into three major sections. First, we elaborate on the idea that global leaders are naturally in positions of structural holes. Second, we discuss factors that influence global leader spanning behavior and factors that influence the reputational effectiveness of that spanning behavior. Third, we discuss implications of our theoretical model for future theory building and for practical application in work organizations.

GLOBAL LEADERS AND STRUCTURAL HOLES

The major premise of our paper is that global leaders have a distinct comparative advantage that has been under-emphasized in theory and practice.

Global leaders occupy structural holes (Burt, 1992) and have the opportunity to span these holes by connecting those in their social network across national boundaries. The concept of structural holes is closely associated with Granovetter's (1973) theory of the strength of weak ties. Structural holes occur when people or groups of people have no direct connections or when these connections are weak. When contacts are non-redundant, they can provide unique sources of information (Burt, 1992). In general, people circulate, communicate, socialize, and exchange information primarily with their immediate group and not with members of other groups. When a global leader spans a structural hole, these additional connections and sources of information create a comparative advantage for the spanner and for the group that gains the additional information and resources. Spanning can include brokering information between people on both sides of the hole (serving as a go-between) and brokering ties across the hole (creating direct connections between people on opposite sides of the hole).

In comparing global and local leaders, the key difference, accordingly, is not their personal characteristics (e.g., individual differences in traits or dispositions) or their human capital (knowledge, skills, abilities, and experience) (Shaffer, Harrison, Gregersen, Black, & Ferzandi, 2006). Rather, global leaders differ because they have knowledge and contacts based on prior work assignments in other geographic locations. From a social capital perspective, these experiences of working in different nations put global leaders in structurally more advantageous positions. When global leaders are uprooted to work in new host countries, they bring not only human capital but also social capital (Kostova & Roth, 2003). It is these direct and indirect ties with others in their home country and other nations where they have had work assignments that give global leaders their distinctive competencies. In the next sections, we discuss key factors that facilitate or constrain global leader spanning behavior.

SOCIAL CAPITAL AND SELF-EFFICACY TO SPAN STRUCTURAL HOLES

In proposition 1, we contend that leaders with higher social capital (more ties and more diverse ties) will feel more self-efficacious in spanning structural holes across national borders than those with lower social capital. Before focusing on social capital, we need, however, to acknowledge the importance of human capital (the technical and managerial knowledge,

skills, abilities, and competencies accumulated through years of education and experience). Existing research demonstrates a strong relationship between human capital that is relevant to the task and self-efficacy to perform the task (Bandura, 1982; Wood & Bandura, 1989). In our model, we hold human capital constant and assume that the leader possesses adequate technical and managerial competencies to assimilate, process, and make sense of new situations.

Moving beyond this basic assumption of adequate human capital, we now consider social capital. Social capital of leaders is high when their social network is large (many ties, providing access to information and resources of more people) and diverse (a wide range of non-redundant ties, providing access to unique information and resources) (Burt, 2000). Leaders with large and diverse social networks possess a comparative advantage over others due to three inherent benefits (Burt, 1997, 1999). The first is access benefits. Those with higher volume and wider diversity of non-redundant ties have broader information screens that can alert them to foreseeable opportunities and impending disasters. The second is timing benefits. Having large and diverse non-overlapping social networks allows leaders to be first in discovering needs in one group that create opportunities in other groups. The third is referral benefits. By holding membership in large, diverse, and disconnected groups, leaders are more likely to be included in new opportunities in each disconnected group. Because each of these benefits accrues to those with large and diverse social networks, these leaders possess power and control over entrepreneurial brokering opportunities to bridge disconnected individuals, groups, and organizations.

Self-efficacy is defined as expectations or beliefs in the capability to mobilize the motivation, cognitive resources, and courses of action needed to meet given situational demands (Wood & Bandura, 1989). It is a judgment of personal capability to execute specific actions, in a particular situation (Bandura, 1982; Gist & Mitchell, 1992). Self-efficacy differs from more general conceptualizations of the self, such as self-esteem (Brockner, 1988) which is more global and applies to a broad range of situations. In contrast, self-efficacy is specific and is the sense of capability relative to a particular behavior. The first key outcome in our model is spanning behavior (spanning structural holes). Here, we focus on the global leader's self-efficacy to span structural holes, which we define as the belief that he/she is capable of mobilizing the motivation, cognitive resources, and actions needed to broker information and ties across national borders. Consistent with self-efficacy theory, we focus on a particular type of self-efficacy (Bandura, 1982) with relevance to a specific behavior: spanning structural holes.

As a baseline, we propose in our first proposition, that those with higher social capital (large and diverse social networks with many ties and many non-redundant ties) have higher self-efficacy to span structural holes (than those with less social capital) (Burt, 2000). This is because global leaders with higher social capital have more opportunities and more diverse ties to enact spanning. Hence, they will feel more capable of spanning than those with less social capital.

Proposition 1. The higher the social capital, the higher the self-efficacy to span structural holes.

PRIOR GLOBAL ROLE: PREVIOUS EXPOSURE TO GLOBAL WORK

In proposition 2, we propose that prior experience in global roles (previous global work assignments) moderates the proposition 1 relationship between social capital and self-efficacy to span structural holes. In the cross-cultural adjustment and expatriate management literatures (Church, 1982; Gregeresen & Black, 1992; Searle & Ward, 1990; Takeuchi, Tesluk, Yun, & Lepak, 2005; Van Vianen, de Pater, Kristof-Brown, & Johnson, 2004) research demonstrates that prior cross-cultural experience is an important personal resource that guides individuals in coping and finding solutions to novel problems. Being in structural holes (crossing geographic boundaries) helps global leaders to acquire additional technical and managerial competencies (human and social capital) to perform effectively as global leaders (Ang et al., 2006b). For example, different stages of technological development and differing legal and regulatory frameworks across nations require greater requisite variety of capabilities to operate in diverse institutional and cultural environments (Hawes & Kealey, 1981). Previous exposure to global work, accordingly, is important according to social learning theory (Bandura, 1977, 1982) because previous experience allows people to acquire skills for coping with uncertainty through enactive mastery, vicarious experience, verbal persuasion, and emotional (physiological) arousal.

More specifically, leaders with prior global work assignments have had opportunities for enactive mastery (prior personal experiences that allowed repeated performance of a specific task), vicarious experience (learning by observing others in action), verbal persuasion (positive messages from including encouragement, positive feedback, and exhortations), and awareness of physiological arousal (physical cues regarding anxiety versus confidence

relative to capabilities), which are the four key processes that enhance self-efficacy (Bandura, 1982).

Accordingly, those with prior global work experience should be better able to recognize and capitalize on the value of their social capital. This interaction between social capital and the enactive mastery aspect of prior role enhances their self-efficacy to span structural holes. Second, those with prior global work experience have had more opportunity to model their behavior after that of successful global executives, providing more opportunities for vicarious global learning experiences. This interaction between social capital and the vicarious experience aspect of prior role strengthens their sense of self-efficacy to span structural holes. Third, global leaders who have had prior global work assignments should also receive more positive messages that others are confident in their capabilities (verbal persuasion). This positive feedback should make them more aware of their social capital and the interaction will increase their sense that they can use this social capital (higher self-efficacy to span structural holes). Fourth, prior global work experience provides global leaders with more sophisticated understanding of their own physiological arousal. This prior experience allows them to respond to global situations with confidence rather than anxiety. The interaction between social capital and positive emotional arousal (based on prior global work experience) enhances their confidence (self-efficacy) to span structural holes.

In sum, we propose that prior global role enhances enactive mastery, vicarious experience, verbal persuasion, and emotional arousal. In other words, the positive relationship between social capital and self-efficacy will be stronger for those who have prior global work experience. Accordingly,

Proposition 2. The strength of the relationship between social capital and self-efficacy to span structural holes will be moderated by prior global role, such that the relationship is stronger when global leaders have enactive mastery, vicarious experiences, verbal persuasion, and energizing emotional arousal based on prior global work experience.

SELF-EFFICACY AND SPANNING BEHAVIOR

In propositions 1 and 2, we predicted that social capital and prior global role interact to predict self-efficacy to span structural holes. In proposition 3, we draw on self-efficacy theory to predict that the task orientation of those with higher self-efficacy (rather than self-focus) directs their attentional resources toward relevant behaviors rather than toward worrying

about potential negative outcomes or personal deficiencies (Kanfer & Ackerman, 1996; Wood & Bandura, 1989). In general, those with higher self-efficacy tend to underestimate risks and overestimate their ability to overcome those risks (Sitkin & Pablo, 1992). Consequently, those with higher self-efficacy set more difficult goals and perform at higher levels (Locke & Latham, 1990). In contrast, those with lower self-efficacy are preoccupied with the self. This interferes with their ability to focus and prevents them from developing and implementing complex task strategies.

Applied to global leaders, we suggest that self-efficacy to span structural holes influences actual spanning behavior. This is consistent with the large volume of research on the strong link between self-efficacy and related behaviors (Bandura, 1977, 1991, 2001; Stajkovic & Luthans, 1998; Wood & Bandura, 1989). Since we have matched a specific form of self-efficacy (self-efficacy to span structural holes) with a specific behavior (spanning behavior), we expect a positive relationship in our model. For example, global leaders in novel and unfamiliar situations must focus attentional resources on personal adjustment to the new culture, new job, and unfamiliar environment. Thus, unless global professionals have high self-efficacy to span structural holes (i.e., the self-confidence to broker information and ties across structural holes), they will focus most of their time and energy toward coping with more immediate adjustment to the new organization and national culture. In other words, culture shock, culture fatigue, and learning about the local setting, standard operating procedures, local operations, and appropriate work behaviors will dominate their thoughts and actions. Accordingly,

Proposition 3. The higher the global leader's self-efficacy to span structural holes, the higher the spanning behavior.

In the preceding section, we addressed the relationship between self-efficacy to span structural holes and spanning behavior. In further developing our model, we now fine-tune this prediction to include characteristics of the global leader's current role that can strengthen the relationship between self-efficacy and spanning behavior.

CURRENT ROLE: ROLE TRANSITION, FORMALIZATION, AND SOCIALIZATION

In this part of our model, we propose that the global leader's current role influences the strength of the relationship between self-efficacy to span

structural holes and spanning behavior. We consider three key aspects of the current role: characteristics of the role transition, role formalization, and role socialization.

Drawing on Ashforth's (2001) theory of role transitions in organizations, we focus on three key attributes of role transitions that should be especially salient to global leaders (magnitude of the role transition, social desirability of the new role, and voluntariness of the transition). First, when new roles are similar to prior roles and job responsibilities (a smaller magnitude of role transition), global leaders should have more time and ability to act on their self-efficacy and engage in spanning because their prior knowledge, skills, and abilities have direct relevance to the new role. Second, when new roles are prestigious, have high status, and are high in social desirability, the valence of the role is positive and should enhance the effects of global leader self-efficacy on spanning. For example, status often confers respect from others in the role set and the expectation that the global leader will make connections with important others. Third, when employees feel they had real choices in deciding whether to accept the global leader role (they feel they voluntarily chose the role), they are more likely to have positive attitudes toward the role transition and a positive role identity. This, in turn, should strengthen the effect of self-efficacy on efforts to span structural holes. In contrast and to summarize, when role transitions involve work that is significantly different from prior work, less prestigious or lower in status, and the decision feels involuntary, global leaders will be less likely to act on their self-efficacy and less likely to span structural holes.

Proposition 4a. *Role transition:* The strength of the relationship between self-efficacy to span structural holes and spanning behavior will be moderated by characteristics of the role transition, such that the relationship will be stronger when the role transition is of small magnitude, socially desirable, and voluntary.

Our next current role moderator is role formalization. Role formalization is the extent to which the organization recognizes boundary spanning activities as an important aspect of the global leader's role (Aldrich & Herker, 1977). Organizations and subunits differ in the extent to which they formalize boundary-spanning responsibilities. In most organizations and for most jobs, boundary spanning is discretionary and not included in job expectations, performance standards, or appraisal feedback. Instead, boundary spanning is idiosyncratic and evolves primarily based on individual initiative. For example, Tushman and Scanlan (1981) described boundary spanning as an emerging role that is largely a function of the individual.

Recognizing the benefits of boundary spanning, they described specific management interventions that can enhance boundary spanning. We suggest that these same role formalization interventions (transfers, varied job assignments, special training, travel, sponsorship at professional meetings, liberal phone budgets, and public recognition for spanning initiatives) can strengthen the perceived value of acting on social capital and further strengthen the relationship between self-efficacy to span structural holes and spanning behavior. Thus, role formalization will interact with self-efficacy to span and spanning behavior.

Proposition 4b. *Role formalization:* The strength of the relationship between self-efficacy to span structural holes and spanning behavior will be moderated by role formalization, such that the relationship will be stronger when the organization formally recognizes and facilitates boundary spanning.

Role socialization includes formal and informal processes that organizations use to facilitate role transitions (Van Maanen & Schein, 1979). Organizations, however, differ in their approaches to socialization, especially for global leaders. One approach to conceptualizing socialization tactics and practices differentiates two general approaches: institutional and individualized (Jones, 1986). In general, institutional socialization is more collective, formal, and sequential, whereas individual socialization is more individual, informal, and random. In applying this difference to our model, we suggest that individualized socialization enhances the relationship between self-efficacy to span structural holes and spanning behavior (Stanton-Salazar, 1997). An individualized approach allows individual freedom to learn the job and validation of global leader prior ties and relationships. In contrast, institutionalized socialization is more likely to emphasize conformity to organizational policies, procedures, and norms. Except in instances where the organization has a strong culture that emphasizes proactive behavior and spanning structural holes, institutionalized socialization should decrease spanning behavior. In sum, we propose that role socialization will enhance the link between self-efficacy and spanning.

Proposition 4c. *Role socialization:* The strength of the relationship between self-efficacy to span structural holes and spanning behavior will be moderated by role socialization, such that the relationship will be stronger when socialization is individualized.

SPANNING BEHAVIOR AND REPUTATIONAL EFFECTIVENESS

Although spanning structural holes may lead to positive results, we argue that the effects of spanning on reputational effectiveness (judgments of effectiveness by observers) are complex and are not always positive (Sparrowe, Liden, Wayne, & Kraimer, 2001). Role set theory (Ashforth, 2001; Tsui, 1984) emphasizes the various constituencies that are relevant to managers and leaders. Constituencies are categories of role senders who have authority over exchange relationship with the employee (Tsui, 1994). Global leaders have an especially diverse role set that includes home and host country supervisors, peers, and subordinates as well as suppliers, customers, and family members. When global leaders are in boundary spanning roles, their role sets become even more diverse (Ferris, Blass, Douglas, Kolodinsky, & Treadway, 2003; Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964).

Tsui (1994) defined reputational effectiveness as idiosyncratic judgments of manager responsiveness to expectations, responsibilities, and roles, based on perspectives of specific constituencies. Reputational effectiveness is high when the role incumbent is responsive to the needs, demands, and expectations of a particular constituency. The challenge of assessing global leader effectiveness, thus, is similar to the challenge of analyzing organizational effectiveness (Campbell, 1977; Cameron & Whetten, 1983; Steers, 1977) because different constituencies have different priorities and different standards.

Global leader responsibilities include high interdependence with diverse constituencies. Global leaders are accountable and responsible to corporate constituencies (i.e., senior management, peers at corporate headquarters, and corporate staff) and to local constituencies (i.e., local managers, employees, customers, government officials, and suppliers). In addition, global leader role sets include personal and family relationships (spouse, children, parents, and friends). Each of these constituencies expects the leader to uphold norms, attitudes, and standards that support their own role requirements and relationship expectations (Salancik, Calder, Rowland, Leblebici, & Conway, 1975). As a result, global leaders are subject to conflicting role expectations (Whetten, 1978) and have an especially diversified set of constituencies making conflicting demands and evaluations of reputational effectiveness.

In sum, role set theory and the reputational effectiveness literature (Tsui, 1994) suggest that people in different roles will have different perspectives on what is useful, constructive, and appropriate spanning. Global leaders thus must exercise flexibility and good judgment in deciding what role

expectations to emphasize in their boundary spanning activities (Aldrich & Herker, 1977; Caldwell & O'Reilly, 1982). They also must decide who to contact, how to create ties, and how best to reciprocate and strengthen relationships (Tushman & Scanlan, 1981). Nevertheless, global leaders should be prepared for inconsistent feedback, given the different perspectives of different constituencies in their role set. Thus, for our last proposition, we suggest that role orientation of the rater determines whether spanning behavior is viewed as a positive contribution to reputational effectiveness or whether it is perceived as ineffective and detrimental to reputational effectiveness.

In organizations, reputation is key to judgments of performance and effectiveness. Thus observer evaluations are important in considering the effects of spanning behavior. Under ideal circumstances, a responsive global leader would achieve perceptual consensus by meeting the demands of all constituencies (Salancik et al., 1975; Tsui, 1994). In reality, perceptual consensus of global leader effectiveness is unrealistic because diverse constituencies have particularistic and conflicting expectations (Bromley, 1993; Fombrun, 1996; Gelfand et al., 2001). Hence, we do not specify a direct relationship between spanning behavior and reputational effectiveness. Instead, we predict that assessment of spanning varies based on the role perspective of the rater (Ferris et al., 2003). Since global leaders have multiple role identities (Ashforth, 2001) and multiple diverse constituencies, spanning behavior can have positive implications for some role senders and neutral or negative implications for others. In evaluating proactive spanning behavior, we suggest that observers place primary emphasis on whether the behavior advances the interests of their own constituency. Thus,

Proposition 5. Spanning behavior interacts with the role of the rater in influencing reputational effectiveness, such that spanning is evaluated positively only when it appears to benefit the role set of the rater.

In further developing this idea, we differentiate three specific role sets (corporate, local/regional, and personal constituencies). We suggest that corporate observers will emphasize global leader loyalty and contributions to the overall organization. If members of this role set view spanning as in the best long-term interests of the corporation, spanning will be viewed as positively enhancing reputational effectiveness. In contrast, if members of the corporate role set view global leader spanning as primarily focused on enhancing future personal career opportunities, spanning will be viewed negatively and will detract from reputational effectiveness. Thus,

Proposition 5a. When spanning appears to benefit the corporate entity: the more the spanning, the more positive the corporate role set assessment of reputational effectiveness; when spanning appears to not to benefit the corporate entity: the more the spanning, the more negative the corporate role set assessment of reputational effectiveness.

In contrast, we suggest that regional or local role set constituencies will view spanning that benefits corporate interests as detracting from local interests. Thus, their judgments of global leader reputational effectiveness in this situation would be negative and would be viewed as detrimental to local goals (Bouty, 2000). On the other hand, if observers in the host location (host country nationals or HCN) view spanning as evidence of global leader loyalty and contributions to the local entity (Toh & DeNisi, 2003), they will view spanning positively and it will enhance global leader reputational effectiveness. Thus, the more spanning supports regional or local goals, the more the behavior will be viewed positively and seen as a demonstration of commitment to that particular role set. Accordingly, we propose that

Proposition 5b. When spanning appears to benefit the local or regional entity: the more the spanning, the more positive the local or regional role set assessment of reputational effectiveness; when spanning appears to not benefit the local or regional entity: the more the spanning, the more negative the local or regional role set assessment of reputational effectiveness.

Finally, for our last constituency, we focus on those in the global leader's personal role set. This includes spouse, children, parents, and friends. Thus, we acknowledge the permeability of work and family, work and non-work (life) roles. Since a large amount of research on expatriates demonstrates that many do not finish their overseas assignments due to problems with adjustment of family members (Black et al., 1999), it is important to consider this role constituency as well as those more directly linked to work. When a global leader takes an overseas position, this requires personal and family adjustment that disrupts home life and social relationships (Bhaskar-Srinivas, Harrison, Shaffer, & Luk, 2005; Van Vianen et al., 2004). Beyond this, the global leader spanning behaviors can either enhance or detract from goals of those in the personal role set. For example, if a global leader uses spanning to benefit the entire family (helping them connect with others in the new location, staying in close touch when apart or helping them adjust successfully to the new arrangement), those in the family role set will respond to spanning as a positive activity that enhances reputational effectiveness of the global leader. In contrast, if boundary spanning efforts create

role conflicts by placing additional demands on personal life and home life (e.g., frequent travel to regional or corporate locations, night meetings, late night phone conversations with people in different time zones), spanning will be viewed negatively (Katz & Kahn, 1978). Thus,

Proposition 5c. When spanning appears to benefit a global leader's family and friends: the more the spanning, the more positive the personal role set assessment of reputational effectiveness; when spanning appears to not to benefit family and friends: the more the spanning, the more negative the personal role set assessment of reputational effectiveness.

DISCUSSION

In this chapter, we have highlighted the social capital of global leaders as an under-valued asset that firms should explicitly recognize. We also suggest that social capital is an asset that global leaders can use proactively to benefit the corporation, local entity, and/or their personal role set. We argue that global leaders naturally occupy structural holes in networks that span geographic boundaries. Global leaders are valuable not only for their human capital, but also for their social capital (the information and assets they can access directly and indirectly through their personal and professional networks). Global leaders make important and unique contributions based on their technical competencies, skills, knowledge and abilities, *and also* based on information and resources they can procure through social networks (Ang et al., 2006b).

Although all global leaders occupy structural roles, not all global leaders have a sense of self-efficacy to engage in spanning behavior (serving as boundary spanners and conveying information or making connections) and not all global leaders engage in spanning behavior. In our model, we consider specific factors that influence spanning and perceived effectiveness of spanning. Based on self-efficacy and role theories, we proposed that social capital and prior role experiences interact to influence self-efficacy to span structural holes. More specifically, we proposed that current role (role transition, formalization, and socialization) combined with self-efficacy to span structural holes influence spanning behavior. In the second part of the model we shifted our attention and considered the effects of spanning behavior. Here, we drew on reputational effectiveness and theorized that the relationship between spanning and perceived effectiveness of spanning is not necessarily positive. Depending on the constituency and whether spanning

meets role set expectations of that particular constituency, spanning can be viewed as enhancing or reducing reputational effectiveness. In sum, our main goal was to emphasize the benefits of recognizing and enhancing global leader initiative to use their social capital and span structural holes and the subsequent effects on reputational effectiveness.

THEORETICAL IMPLICATIONS

We suggest that our model has several theoretical implications for global leaders. In current discussions of global leadership, researchers focus predominantly on leadership competencies such as leading, managing, marketing, and creating products and services that are palatable to consumers worldwide (Bartlett & Ghoshal, 1992; Evans et al., 2002) or on appreciating cultural differences around the globe (House et al., 1999; Smith, Misumi, Tayeb, Peterson, & Bond, 1989; Trompenaars & Hampden-Turner, 1997). Our model advances thinking about global leadership by highlighting the distinctive opportunities that global leaders have because they are in structural holes and have unique opportunities to leverage their social capital. This emphasis is theoretically important because it argues that global leaders offer more than human capital. Thus, the model should stimulate future research and theory development that considers the role of global leader social capital in more depth.

Another implication of our model concerns the notion of spanning and the benefits of spanning. Research on structural holes employs a structural or network perspective. This research analyzes structural relationships between individuals and their constituencies to determine who resides in structural holes. Most of this research seems to assume that people in structural holes engage in spanning (Burt, 2000). Our model extends this structural perspective by presenting a theoretical explanation of how (the *processes*) through which social capital and roles influence self-efficacy to span structural holes and reputational effectiveness of spanning behavior. We hope that our model facilitates future research on structural and process perspectives with an emphasis on factors that influence spanning. Future research can expand our initial framework by considering additional theoretically based factors that influence spanning and consequences of spanning.

Finally, our model contributes to research on leaders in geographically dispersed teams and subsidiaries within multinational corporations (Birkinshaw & Hood, 1998; Carpenter, Sanders, & Gregersen, 2001; Peng &

Luo, 2000). Much of the expatriate literature currently focuses on replacing global leaders with local talent (global integration without global leaders: for example, see Evans et al., 2002; Harvey, Speier, & Novicevic, 2001). Our propositions highlight the complementary nature of social networks of global leaders and suggest the potential disadvantages of appointing only local talent to head subsidiaries.

MANAGERIAL IMPLICATIONS

Our model offers a number of specific recommendations for practicing managers about how to harness social capital within their organizations. In addition to factors examined previously in the social network literature (e.g., the extent of ties), our model identified perceived self-efficacy to span structural holes as crucial to actual spanning behavior. The model therefore suggests that organizations should actively create opportunities for individuals to span structural holes – specifically by identifying structural holes within the organization and placing individuals with strong social capital in these holes.

Our model also suggests reasons why global leaders in structural holes may not automatically feel high self-efficacy to span structural holes. Specifically, we highlight prior role characteristics (such as hands on experience, role modeling, and social support) as factors that can enhance self-efficacy to span. Additionally, the model considers why some global leaders with high self-efficacy do not engage in spanning. Thus, characteristics of the global leader's current role suggest interventions managers could use to enhance spanning behaviors (incremental role transitions, high-status roles, clear value formally placed on spanning, and individual role socialization). In other words, managers can structure work and roles to enhance spanning (Siebert, Kraimer, & Liden, 2001). For example, organizations could conduct global relationship analyses (Lengnick-Hall & Lengnick-Hall, 2003) documenting who gets information and how it is shared. They then could use this information to build an organizational culture that promotes spanning. Organizations also could re-examine the way they define duties and responsibilities of global leaders in ways that enhance or detract from spanning behavior. Specifically, if organizations wish to promote spanning behavior, they should formally reinforce the value of spanning in their selection and performance management systems (Leana & Van Buren, 1999). Since research indicates that individuals concentrate attention in areas where results are measured and they ignore aspects that are not measured, it

should be important to set specific, moderately difficult goals that are accepted by employees (Becker, Huselid, & Ulrich, 2001).

FUTURE RESEARCH DIRECTIONS

There are several important directions for future theoretical development of this model. First, other individual-level factors most likely influence spanning. For example, Burt, Jannotta, and Mahoney (1998) showed that people with network personality span more. Johnson, Kristof-Brown, Van Vianen, de Pater, and Klein (2003) demonstrated that expatriates with high core self-evaluation created more social ties with other expatriates and locals. Alternatively, the Big Five factors of personality may provide insights on spanning behavior (Carver & Scheier, 2000). Meta-analytic reviews of Big 5 personality characteristics and job-related outcomes show that conscientiousness consistently predicts outcomes for a wide range of occupational groups and extraversion predicts outcomes for manager and sales representative jobs where interaction is a significant responsibility (Barrick & Mount, 1991; Hough, Eaton, Dunnette, Kamp, & McCloy, 1990). Recent research demonstrates that openness to experience enhances individual capabilities to function effectively in culturally diverse settings (Ang, Van Dyne, & Koh, 2006a). Thus, openness to experience may be critical to spanning behavior and should be included in future theory building and research. Taken as a whole, these studies suggest that personality could be an important individual-level factor that influences spanning and effectiveness of spanning.

Future research could also explore the simultaneous functionality and dysfunctionality of spanning. Adler and Kwon (2002) postulated that risks associated with social capital could outweigh benefits. We have argued that spanning can be positive or negative, depending on the role of the raters and whether spanning meets the expectations of specific raters and specific role sets. Inevitably, spanning involves balancing and making trade-offs between multiple goals and satisfying different constituencies. Exploring individual resolution of dilemmas arising from the interplay of functional and dysfunctional consequences of spanning would be instructive, particularly for global leaders with diverse role sets.

Finally, another potentially important theoretical extension of our model would be to elaborate the processes in our model to incorporate feedback loops and reciprocal effects of spanning and reputational effectiveness. For example, future research could focus on the dynamic relationships between

spanning and reputational effectiveness. As Ferris et al. (2003) suggested, reputation is temporal and evolves over time. Reputations emerge from individual actions and the extent to which actions meet the expectations of others. The reputation process is cyclic because behavior feeds back into expectations (Herbig, Milemicz, & Golden, 1994). Spanning strengthens reputations when it meets expectations. When spanning meets expectations, it may also raise expectations for future spanning. This could create an upward spiral of spanning and increasing expectations. At some point, spanning might no longer meet expectations, and reputational effectiveness would deteriorate. Maintaining reputational effectiveness, thus, may require spanning that is consistent over time and consistent with expectations.

CONCLUSION

In this chapter, we have drawn on social capital and role theories to develop a model of factors that influence self-efficacy to span structural holes, spanning behavior, and reputational effectiveness of global leaders. The proposed model presents a challenging research opportunity that builds on and goes beyond current research and frameworks on global leaders. The overarching message conveyed by our theory is that global leaders naturally occupy structural holes that span geographic boundaries. Thus, if organizations acknowledge human capital (KSA accumulated through education and experience) *and* social capital (information and assets global leaders can access through professional and personal networks), they should have a better understanding of why they “get more than they expect” from some global leaders (and not from others). We recommend future research that expands upon and tests this initial model of spanning structural holes and reputational effectiveness of global leaders.

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GLOBAL LEADERS AS EXPERTS

Joyce S. Osland and Allan Bird

ABSTRACT

In this chapter, we show how our understanding of global leadership can be enriched by applying research on expert decision making. We review Klein's model of expert decision making and other research on expert cognition. Then we apply these findings to show how the decision-making processes of expert global leaders might differ from those of novice leaders. Finally, we suggest directions for future research.

Given the spread of globalization, an increasing number of executives face the complex challenges of leadership on a global scale. In this chapter, global leadership is defined as a process of influencing the thinking, attitudes, and behaviors of a global community to work together synergistically toward a common vision and common goals.

Recent analyses suggest that the challenges that global leaders face are qualitatively different from those confronted by domestic managers and the international managers of the past. Global leadership differs from domestic leadership in *degree* in terms of issues related to connectedness, boundary spanning, complexity, ethical challenges, dealing with tensions and paradoxes, pattern recognition, leading large-scale change efforts, and managing diversity to build learning environments, effective teams, and community (Lane, Maznevski, Mendenhall, & McNett, 2004). Even when leaders have diverse employees in a domestic setting, they do not confront the same level

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of cognitive and emotional demands as global leaders. Additionally, global leadership differs from domestic leadership in *kind* because dealing with international issues and/or living and working 24 hours a day, seven days a week, in a global/cross-cultural context “exposes the individual to experiences so powerful that new mental models are constructed out of internal punctuated equilibrium processes” (Osland, Bird, Mendenhall, & Osland, 2006, p. 19). Specifically, global managers and leaders face the following demands (Bird & Osland, 2004, p. 61):

- greater need for broad knowledge that spans functions and nations;
- wider and more frequent boundary spanning both within and across organizational and national boundaries;
- more stakeholders to understand and consider when making decisions;
- heightened need for cultural understanding within a setting characterized by wider ranging diversity;
- a more challenging and expanded list of competing tensions both on and off the job;
- heightened ambiguity surrounding decisions and related outcomes/effects; and
- more challenging ethical dilemmas relating to globalization.

Thus, the work of global leadership is inherently *sui generis* in nature – it is unique unto itself. For this reason, there is a need to better understand the requirements and the determinants of effective global leadership (Suutari, 2002).

In this chapter, we begin with a short review of extant literature, which focuses primarily on the identification of global leadership competencies. Then we point out several shortcomings of this approach. In Section 2, we propose a different approach that overcomes many of these problems. This new approach is grounded in research on expert cognition. As we review this literature, we discuss the potential linkages between the novice-expert framework and global leadership, and we present a process model (Klein, 1998) that describes how experts make decisions. Finally, we conclude with recommendations for future research and training.

THE LITERATURE ON GLOBAL LEADERSHIP COMPETENCIES

Corporate recognition of the need for global strategies and international expansion in the 1990s led to the creation of a new subfield in leadership – global

leadership (Mendenhall & Osland, 2002). To help companies select and develop global leaders, HR professionals, consultants, and scholars began creating lists of global leadership competencies – the skills and attributes believed to contribute to effective global leadership. The relatively few empirical studies on global leadership competencies are summarized in Table 1. Please note that there are other research streams on international leadership and global executives and managers (who may or may not be global leaders), but these are the only studies that purportedly studied global leadership. For the most part, these studies used surveys and interviews with managers to collect self-reports of personal characteristics and behavior or the researchers asked experts for their opinions. One study (Ernst, 2000), went a step closer to measuring the actual phenomenon of global leadership by measuring the impact of behavioral complexity on boss and subordinate perceptions of effectiveness, but the results were not conclusive. Thus, none of the published studies directly measures global leadership behavior or effectiveness. Moreover, in some studies the definition of a global leader was not specified, leaving the respondent to use his or her own understanding of the term. In others, the basis for selecting respondents was unclear, because in the literature, the terms global managers and global leaders are often used interchangeably, even though there are widely accepted distinctions between the role of managers and leaders in general (Kotter, 1990). Thus, it is not always clear if global managers or global leaders were studied.

This research has resulted in three instruments purported to measure global leadership (Black et al., 1999; Goldsmith et al., 2003; Kets de Vries et al., 2004). To date, none of the three instruments have been validated using commonly accepted standards for development of psychological assessment and testing instruments (Anastasi & Urbina, 1997; Nunnally & Bernstein, 1994). Similarly, although scholars are beginning to articulate the developmental paths taken by global leaders (Black et al., 1999; Kets de Vries & Florent-Treacy, 1999), there are no systematic studies like McCall and Hollenbeck's (2002) investigation of the development of global executives.

While the extant research helped to establish a foundation for the field, it has weaknesses and fails to answer several key questions:

- (1) The lists of competencies are often too lengthy to be useful for either individuals or their firm. For example, at Chase Manhattan Bank 250 competencies were identified (Mendenhall & Osland, 2002). Another MNC began with 200 competencies that were subsequently winnowed down to 160 (Von Glinow, 2001). Scholars likewise have produced lengthy lists of competencies. After reviewing the global leadership

Table 1. A Chronological List of Research on Global Leadership.

Authors	Purpose	Method	Findings
Yeung and Ready (1995)	To identify leadership capabilities in a cross-national study	Surveyed of 1,200 managers from 10 major global corporations and eight countries	Capabilities: articulate vision, values, strategy; catalyst for strategic and cultural change; empower others; results and customer orientation
Black, Morrison, and Gregersen (1999)	To identify capabilities of effective global leaders and determine how to develop them	Interviewed 130 senior line and HR executives in 50 companies in Europe, North America, and Asia and asked them to describe characteristics of effective global leaders and how those characteristics are best developed. They also interviewed managers who were recognized by others as effective global leaders and asked the same two questions	Capabilities of effective global leaders: inquisitive, character, duality, savvy Development occurs via training, transfer, travel, teams
Kets de Vries and Florent-Treacy (1999)	To describe excellent global leadership	Case studies involving interviews with three global leaders	Identified best practices in leadership, structure, strategy, corporate culture
Ernst (2000)	To determine the impact of global leadership behavioral complexity on boss and subordinate perceptions of leadership effectiveness	Surveyed the bosses and subordinates of 174 upper-level managers from 39 countries working in four global organizations	Behavioral complexity variables were related to perceptions of leadership effectiveness. However, the relationships were not stronger for leaders in global versus local jobs

Rosen, Digh, Singer, and Philips (2000)	To identify leadership universals	Interviews with 75 CEOs from 28 countries; 1058 surveys with CEOs, presidents, managing directors or chairmen; studies of national culture	Leadership universals: personal, social, business, and cultural literacies, many of which are paradoxical in nature
McCall and Hollenbeck, (2002)	To identify attributes of effective global executives and processes by which executive development occurs	Semi-structured interview with 101 global executives identified as exemplary in their respective companies and industries.	Identified seven competencies: open-minded, cultural sensitivity, able to deal with complexity, resilience, integrity, stable personal life, and value-added business skills; emphasized carefully designed international experience with supporting mechanisms as the mechanism for development of global leaders
Goldsmith, Greenberg, Robertson, and Hu-Chan (2003)	To identify global leadership dimensions	Thought leader panels; focus and dialog groups with 28 CEOs, and an unspecified number of current and future global leaders from various firms; interviews with 202 high potential next generation leaders; and 73 surveys from forum group members	Fourteen dimensions: integrity, constructive dialog, shared vision, developing people, building partnerships, sharing leadership, empowerment, thinking globally, appreciating diversity, technologically savvy, customer satisfaction, maintaining competitive advantage
Kets de Vries, Vrienaud, and Florent-Treacy (2004)	To develop a 360-degree feedback instrument, GlobeInvent	Grounded theory building based on semi-structured interviews with a number of senior executives	Twelve dimensions/psychodynamic properties: envisioning, empowering, energizing, designing, rewarding, team-building, outside orientation, global mindset, tenacity, emotional intelligence, life balance, resilience to stress

literature, Mendenhall and Osland (2002) identified 56 different competencies discussed in that literature (at present, the list has grown to 60) falling into six categories: traits and values, cognitive orientations, cross-cultural relationship skills, global organizing expertise, global business expertise, and visioning.

- (2) The research fails to explain how these managerial characteristics contribute to effective global leadership. Why are they important and how do they relate to the process of global leadership?
- (3) We do not know which competencies are absolutely crucial at all times or important only in particular contexts. As Conger and Ready (2004, p. 45) note, leadership requirements can vary by level, culture, and situation as well as by functions and operating units, so these lists might not apply across the board.
- (4) Furthermore, this approach seems to assume that global leaders possess all these competencies, even though the idealized concept of leadership is seldom found in reality (Conger & Ready, 2004). The inherent complexity of executive jobs ensures that there are multiple ways of accomplishing high-level jobs. In addition, multiple forms of talent exist (McCall & Hollenbeck, 2002) so that a manager may succeed globally without mastering all these competencies.
- (5) Because the definition of global leadership was different across studies, we are not sure if the competencies are identified with global managers, global leaders, or leaders in general. The resulting confusion is the source of continuing questions about whether there is a significant difference between global managers versus global leaders or between global versus domestic leaders.
- (6) None of the published studies included direct measures of behaviors to illuminate the process of effective global leadership.
- (7) None of the researchers correlated attributes of leaders with objective measures of leadership effectiveness.

EXPERT COGNITION: A DIFFERENT APPROACH

Given the shortcomings in the competency approach, we believe that our understanding of global leadership would be enriched by focusing on how effective global leaders think and behave. This belief led us to the field of expert cognition. We contend that expert cognition, summarized in the following section, is one of the most fruitful avenues for future research on global leaders.

Expert Thinking

According to research on expert thinking, experts perform at higher levels because they perceive the world differently and use more sophisticated processes of insightful thinking (Sternberg & Davidson, 1994). First, when experts look at a problem, they differentiate more readily between relevant and irrelevant information (Sternberg & Davison, 1994). For example, Carlos Ghosn, the president of Nissan Motors, demonstrates an ability to distinguish when culture really matters, when it can be leveraged and when it can be ignored: “When you have taken the time to understand [that people don’t think or act the same way] ... and when you are really motivated and mobilized by a very strong objective, then the cultural differences can become seeds for innovation as opposed to seeds for dissention” (Emerson, 2001, p. 6). In contrast, novices sometimes overlook the significance of important cues or assign too much importance to red herrings.

Second, experts combine relevant information – sets of cues – into meaningful patterns to allow for a more accurate diagnosis of the problem (Sternberg & Davison, 1994). For instance, grand masters, chess experts, can recall approximately 50,000 significant patterns in the game (Prietula & Simon, 1989). Such patterns help experts access knowledge that guides their decisions, because pattern recognition functions as an index for their knowledge base (Simon in Hayashi, 2001, p. 63), and are much like a hyperlink between a pattern and the specific knowledge related to it. Compared to experts, novices perceive fewer patterns.

Third, experts possess an encyclopedia of knowledge that is more extensive than that of novices and they are better at “gauging the importance of different types of knowledge and the difficulty of problems” (Klein & Hoffman, 1993, p. 209). Writers on global leadership acknowledge the importance of extensive knowledge – termed “global savvy” (Black et al., 1999), “business acumen” (Brake, 1997), and “business literacy” (Rosen et al., 2000). One would expect that high-potential managers promoted to global positions would possess extensive knowledge of organizations, industries, markets, and so forth and, in fact, may already see themselves as experts. An extensive knowledge base serves as a foundation and threshold requirement for global leaders, as described in a later section. But knowledge alone is not sufficient to develop expertise (Klein & Hoffman, 1993).

Fourth, experts are also better at perceiving the interaction among cues and understanding the meaning of invisible or absent cues (Klein & Hoffman, 1993). We saw a good example when we interviewed the global leader of a non-profit organization who noticed, during his visit to one African country,

an absence of carts to haul goods to market, and a staple of transportation in most developing countries. Acting on this cue, his organization helped the local people establish successful small businesses that built carts to transport merchandise. Owing to many years of experience in lesser-developed countries, he was able to perceive what was missing by matching what was typical in his previous experiences against what he was seeing or, in this case, failing to see.

Fifth, experts are better than novices at reacting to non-routine situations (Klein & Hoffman, 1993) and making decisions under pressure. Expert chess players, for example, make quicker high-quality decisions under pressure than less-skilled players (Charness, 1981; Calderwood, Klein, & Crandall, 1988). Experts are also more likely to generate a high-quality solution in their first attempt without needing to compare alternative solutions (Klein, 1998).

Sixth, although there is no difference in the way novices and experts reason analytically (Chi, Feltovich, & Glaser, 1981; Klein, Phillips, Rall, & Peluso, 2004), experts complement their analytical skills with intuitive reasoning (Prietula & Simon, 1989). Intuition is “a cognitive conclusion based on a decision maker’s previous experiences and emotional inputs” (Burke & Miller, 1999, p. 93). Experts “chunk” information, grouping relevant patterns of information together, thereby allowing them to produce accurate observations and solutions speedily without appearing to engage in much rational analysis (Prietula & Simon, 1989). This evolves into intuition – “a sophisticated form of reasoning based on chunking that an expert hones over years of job-specific experience” (Prietula & Simon, 1989, pp. 121–122). Excellent intuitive decisions often involve “cross-indexing,” the ability to see similar patterns in different fields (Hayashi, 2001). This occurs when people extrapolate knowledge or mindsets from other disciplines or industries.

Finally, due to the knowledge base and the experience they accrue, experts’ perceptions of their work become more complex than that of novices. For example, an exploratory study of cognitive complexity in French and British CEOs in four industries found that CEOs of firms with an international geographic scope or with foreign parents had more complex cognitive maps of their own industry than did CEOs in the same industry whose jobs were less international (Calori, Johnson, & Sarnin, 1994).

Expert Global Leaders

Based on this research on expert thinking, compared to novices, expert global leaders should be better able to

- differentiate between relevant and irrelevant cues;
- perceive more patterns in cues;
- recognize what is missing;
- interpret patterns and the interaction among cues more accurately;
- have more extensive knowledge bases; and
- cross-index patterns from other industries, country operations, and cultures.

Becoming an Expert

In addition to distinguishing between expert and novice thinking, researchers have also studied the developmental levels through which people progress in the journey from novice to expert. The perceptual aspect of expertise is the basis of [Dreyfus and Dreyfus's \(1986\)](#) frequently cited stages in the evolution of mastery, which was further modified by [Benner \(1984\)](#) as well as by [Klein and Hoffman \(1993\)](#). In the first stage, *novices* begin by following context-free rules, yielding limited and inflexible behavior. When they become *advanced beginners* in the second stage, more experience allows them to note situational components and subsequently develop basic patterns from their experience. In this stage, they begin to perceive recurrent significant patterns. Once they become more *competent* in the third stage they recognize greater complexity and begin to move beyond strict adherence to rules and begin to think in terms of trade-offs. At this stage, they think more consciously about what they are trying to achieve and consider different ways to do that. At the *proficiency* level, the fourth stage, people focus less on the components of a problem or elements of the situation and perceive them as wholes. They rely more on general principles than on rules, and they have learned to look for typicality. When cues are absent, indicating a non-typical situation, they adapt their plans accordingly. On attaining the *expert* level, the fifth stage, they can diagnose the situation unconsciously and respond intuitively because over the years they have developed the holistic recognition or mental maps that allow for effortless framing and reframing of strategies and quick adaptation. As a result, they no longer think in terms of rules or maxims. Experts are better at judging typicality, perceiving distinctions, and visualizing how situations have developed and how they are likely to unfold, which includes searching for pitfalls and opportunities ([Klein & Hoffman, 1993](#)).

We applied this development model to global leadership to imagine how each stage of development would look. [Table 2](#) indicates what these stages

Table 2. Levels of Expertise.

Stage	Level of Mastery*	Global Leaders
Novice	Beginners have had little experience of the situation in which they are expected to perform. Their initial learning about the situation is in terms of objective attributes – those that are measurable. These are features of the task work that can be recognized without situation experiences. Novices are limited in their understanding to context-free rules that guide action – this means their behavior is limited and inflexible	They operate according to leadership rules and schema from their own culture. They focus on differences in follower behavior and reactions and follow simple rules (do's and don'ts) inflexibly or without regard to context. They expect outcomes in line with previous experiences in home culture
Advanced beginner	They have coped with enough real situations to note (or have pointed out to them) recurring, meaningful situational components. At this level, understanding of aspects of the situation is limited to global characteristics that reflect prior experiences in actual situations. Advanced beginners need help setting priorities, because they operate on general guidelines and are only beginning to perceive recurrent, meaningful patterns	They begin to recognize differences in culture and work, situational components, and appropriate leader responses. They have mastered the basics of different intercultural situations and begin to develop stereotypes and use them to guide behavior
Competence	Performers at a journeyman's level have a greater appreciation for task complexity and the ability to focus on the most important cues and goals. Reliance on absolute rules begins to disappear; risk taking and complex trade-offs occur. They see their actions in	They understand the complexities in their work and are more skilled at making sense of events and opportunities. They develop goals that are reasonable and contextualized. They prioritize plans in terms of expected global outcomes and have developed

	terms of formulating, evaluating, and modifying long-range goals or plans. They lack the speed and flexibility that emerges at higher levels of expertise but have a sense of mastery and the ability to cope with and manage various situations	effective sub-routines that they apply to various situations
Proficiency	Proficient performers perceive situations as wholes rather than in terms of situational components. Their performance is guided by “maxims.” Perception is key. The perspective is not thought out but “presents itself” based upon experience. The proficient performer has learned what typical events to expect in a given situation and how plans need to be modified in accord with these events. This also means that she or he can recognize when the expected typical picture does not materialize and can modify plans and goals accordingly. Situational aspects stand out as more or less important in this situation	They view situations holistically and consider all the complexities and stakeholders. They can match events against previous ones to determine typicality and adapt plans accordingly. They recognize that cultural and follower behavior varies according to the context and understand the reasons for behavior. They use general principles to guide their actions
Expert	Expert performers no longer rely on analytic principles (rules, guidelines, maxims) to connect their understanding of the situation to an appropriate action. The expert, with an enormous background of experience, has an intuitive grasp of each situation and zeros in on the accurate region of the problem without wasteful consideration of a large range of unfruitful, alternative diagnoses, and solutions. Their performance becomes fluid and flexible and highly proficient	Expert global leaders work intuitively and efficiently, accurately diagnosing situations and predicting outcomes. They implement the most effective strategy and adapt different strategies effortlessly as needed. They resolve leadership problems synergistically

*Adapted from Klein and Hoffman (1993).

might look like, extrapolating from the literature on global leaders and intercultural competence.

Klein's Model of Expert Decision Making

Klein's (1998) work on expert decision making seems highly relevant to our efforts to understand how global leaders think and behave. Klein studied the decision-making processes used by experts making difficult real-life decisions under time pressure, in dynamic conditions, with inadequate information, ill-defined goals, and ambiguous cues (e.g., fire commanders, U.S. naval commanders, etc.). Klein (1998) concluded that such decisions were not analytical, but intuitive. The expert decision makers he studied relied on the power of *intuition* to size up a situation quickly, employed *mental simulations* to imagine how a course of action might play out, invoked *metaphor* to draw on experience by suggesting parallels between the current situation and previous ones, and, finally, engaged in *storytelling* to consolidate experiences so that they are readily available for future use (Klein, 1998). "Metaphors and analogues direct thinking by framing situation awareness (by reminding people of similar events), identifying appropriate goals, and flagging relevant pieces of information" (Klein, 1998, p. 213). Analogical reasoning, appropriate for situations with unknown factors, involves searching for comparable models and extrapolating data to make predictions or generate expectancies (Klein, 1998). For example, faced with the problem of predicting repair rates for component parts of new airplanes, engineers used data on similar equipment used in existing planes. They made adjustments based on known differences between the two parts and adjusted the reliability data accordingly (Klein, 1998). Experts also use stories to make sense of events and to capture lessons that are easily remembered and retold to others. Klein and his colleagues discovered that some of AT&T's best software programmers built successive stories when troubleshooting (Klein, 1998). The presenting data led them to build their first story, which in turn led them to search for various data to fit the story; if the story was not confirmed, they created a better story to fit the additional data that had been gathered. Klein contends that story building and story modification play a major role in diagnosis (1998, p. 189).

Klein's model, called the Recognition-Primed Decision-Making Model, is shown in Fig. 1 (1998, p. 25). Decision makers first determine whether or not the situation is *typical* by matching it with past experiences (e.g., fire fighters determine what type of fire they are dealing with, based on previous

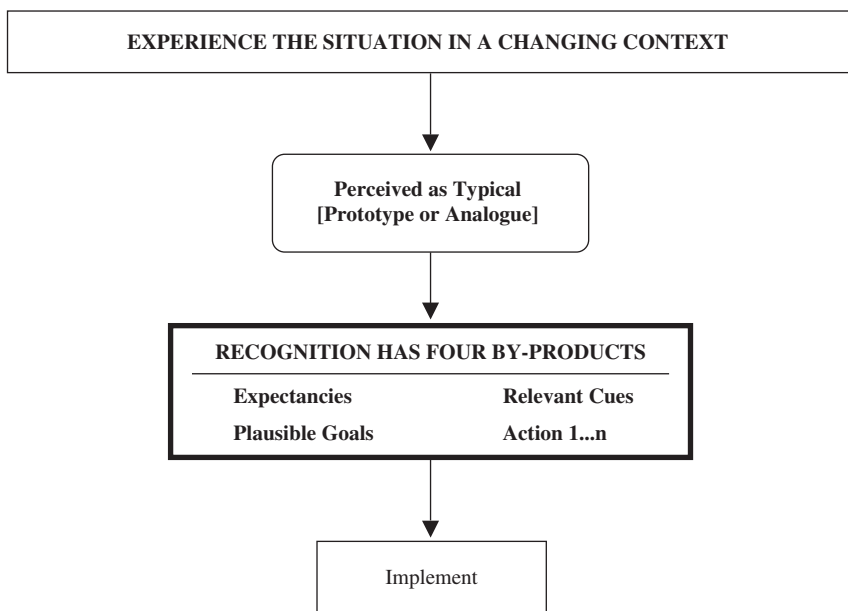


Fig. 1. Integrated Version of Recognition-Primed Decision Model. Adapted from Klein (1998).

fires). This determination then leads to four by-products: (1) determining which aspects of the situation should be paid attention to, in other words, significant *cues* (e.g., how fast the fire is burning, wind strength and direction, the sponginess of the roof, etc.), (2) setting *plausible goals* that make sense for the situations (e.g., containing the fire), (3) developing *expectancies* of what might happen next so that they can be prepared (e.g., where is the fire likely to spread?), and (4) determining *typical actions* for responding to this type of situation (e.g., the best way to manage this particular fire). Next, the decision maker implements a course of action.

There are two variations to this model. The first concerns the decision maker’s uncertainty about the situation, while the second deals with his or her uncertainty about the appropriate course of action. When a situation is judged to be atypical (e.g., the fire does not look like any fire they have ever seen), decision makers devote more time to consciously diagnose the situation. This may involve gathering more data. If the situation does not unfold as expected, i.e., they encounter an anomaly, then this will require further clarification and diagnosis until they eventually find a prototype or

analog that seems applicable. At this point, the decision maker proceeds through the rest of the model and takes action.

In the second variation – when the action is uncertain – decision makers evaluate potential actions (e.g., allowing a fire to burn out rather than intervening) by visualizing past actions or imagining how actions could unfold in the future. This is called mental simulation. Decision makers are checking to see whether a potential action will work or if it needs to be modified. When they are satisfied that it will have a successful outcome, they implement the action.

We hypothesize that expert global leaders follow the same procedure. They quickly determine whether or not the situation is typical based on their prior experience. If so, rather than meticulously comparing alternative actions, they may intuitively know what goals are plausible, what cues are relevant, what they can expect to happen, and which actions would be typical in a case like this. Next, global leaders would evaluate the chosen action using mental simulation – both seeing past events and being able to imagine how it would work. If the mental simulation appears to be successful, they go ahead and implement the course of action.

While we assume that expert global leaders are also effective, we take care to note that the classification of “novice” is not synonymous with “ineffective.” Some novices can be more effective than others due to their talent (prodigies). As a general rule, however, it is more reasonable to assume that novices will be ineffective due to their inexperience. In a similar vein, the length of global work experience does not guarantee expertise. Fig. 2 clarifies the relationship between these two dynamics.

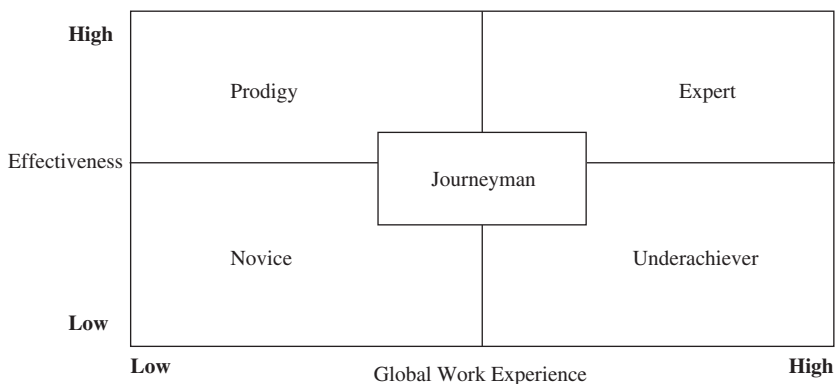


Fig. 2. The Relationship between Effectiveness and Global Work Experience.

Global Knowledge: The Foundation for Global Expertise

Global experience provides an opportunity for managers to acquire global competencies and knowledge, the key components for developing expertise. This section describes the types of knowledge that form the foundation of global leadership expertise. Recent research viewing careers as repositories of knowledge adopts a framework that highlights the various types of knowledge that global leaders require (Bird, 2000). Kidd and Teramoto (1995) have developed a four-class taxonomy of “knowings” that is useful in delineating knowledge content requirements for global leaders.

Know who refers to a person’s social capital, that is, the actual and potential resources embedded within, available through, and derived from the network of relationships an individual possesses. Knowing who involves not only an acquaintanceship with others, but also an ability to draw upon various resources through those relationships. As one global leader stated, “It’s all about being able to collect on IOUs.” Examples of *know who* would include such knowledge as having a contact in a Korean *chaebol* willing to make introductions on one’s behalf to local firms or having business school classmates who are key decision makers in Japan’s Ministry of Economy, Trade, and Industry.

Know how refers to a person’s set of skills and knowledge about how to do work or how to accomplish tasks. For example, techniques for giving *face* in Chinese negotiations would be one type of know-how. Another variety of know how would be methods for structuring invoicing schedules to offset the effects of hyperinflation in Argentina.

Know what relates to the nature and extent of a person’s understanding about specific projects, products, services, or organizational arrangements. A knowledge of Procter & Gamble’s product offerings in German or an understanding of the structure of Volkswagen’s US subsidiary operations constitute types of *know what*.

Know why relates to the nature and extent of a person’s identification with the firm’s culture and strategy – for example, knowing why the firm chose to set up an overseas operation in Chile rather than in Brazil. Knowing why gives meaning and purpose to organizational and individual action.

Given the earlier discussion on expert cognition, we would expect expert global leaders to have more extensive knowledge in all four areas – a more extensive and perhaps more useful social network in the *know who* category, more *know how*, more *know what*, and *know why*. This taxonomy of knowings provides insight into the interrelatedness of different types of knowledge and suggests additional considerations. First, while the demands of a

given position or context may lead to an emphasis of one type of knowledge over another, effective global managers probably require significant development in all the four types. Indeed, the continued growth and development of a useful global knowledge base is probably predicated on a rough balance across the four types. A heavy emphasis on *know who*, for example, may be of little value when not used in conjunction with *know how*, *know what*, and *know why*.

Here is an example of an Indian leader who used all four types of knowing. A manager-turned-entrepreneur, he capitalized on the knowledge he acquired in the years he worked for a large high-tech firm when he saw the promise in a new invention to monitor people under anesthesia (know why). Rather than locating all operations in one country, he organized a firm to bring together people in his extensive personal network: mathematicians in Switzerland, R&D engineers and manufacturers in India, and sales people in the Silicon Valley (know who). His lengthy experience working with different cultures made it possible to convince people to join him in this venture (know how). Owing to his familiarity with technology and new products, all IT and accounting functions were handled on the web (know what). His experience with marketing led him to develop a marketing plan that focuses only on countries with either "lots of money" or "lots of people" (know why). Thus, his reliance on all four types of knowledge allows him to lead a worldwide company with a very small number of people.

When managers can appropriately apply the elements of these four types of knowing to a particular situation, as this Indian leader did, they are using *attributional knowledge* (Bird, Heinbuch, Dunbar, & McNulty, 1993). Attributional knowledge refers to situation-specific understanding that enables its holder to efficiently scan for cues and accurately frame the situation, make correct attributions of the situations and relevant actors, and then select an appropriate course of action in response to the demands of the situation.

We suspect that expert global leaders differentiate themselves from novices in terms of their significantly larger stores of attributional knowledge. The knowledge requirements of effective global leadership are enormous and the probability that novice global leaders will either possess the requisite knowledge or be able to configure it in a way that will allow accurate analysis and selection of appropriate response is low. Many talented managers with limited international experience have no doubt achieved expertise in some areas but reached only the novice or advanced beginner stage in other areas. This is particularly likely with regard to culture- and country-specific knowledge.

Leaders can acquire attributional knowledge in three ways: from personal experience, vicariously from other's experience, and from cultural mentoring. With time and experience, the volume and value of each type of knowing may increase. It is important to recognize that, though global knowledge should increase over time, the rates of increase for particular types of knowing may vary according to the opportunities and demands of specific positions and a leader's personal disposition to learn.

FUTURE RESEARCH AND PRACTICAL IMPLICATIONS

Global leader research mirrors the development of the general leadership field with its early concentration on traits and later including competencies. The global leader field has yet to resolve questions about distinctions between domestic and global leadership and between global leaders versus managers, definitions of behavioral styles, contingencies that influenced the effectiveness of leadership behaviors, determinants of effectiveness, and ways to develop global leaders. Therefore, much work remains to be done. [Mendenhall \(2004\)](#) suggests that more exploratory empirical research should be done, using multiple paradigmatic approaches to study the traits of effective global leaders and the six groups of leadership competencies identified by [Mendenhall and Osland \(2002\)](#): relationship, business expertise, organizing expertise, cognition, and visioning. We believe that the cognition competency comprising environmental sensemaking, global mindset, thinking agility, improvisation, pattern recognition, cognitive complexity, cosmopolitanism, managing uncertainty, and local versus global paradoxes ([Mendenhall & Osland, 2002](#)) – is best understood by focusing on global leaders as experts.

Furthermore, based on the assumption that we will learn more from studying expert global leaders than average or mediocre ones, future research should apply more rigorous selection criteria for selecting participants to be sure that expert leaders are included. For example, 10 years of experience is usually identified as the time required to develop expertise in demanding vocations ([Prietula & Simon, 1989](#)). In addition, methods appropriate for analyzing expert cognition, such as cognitive task analysis (CTA), should be used. CTA is specifically designed to distinguish between expert and novice cognition. CTA methods identify the cognitive skills or mental demands needed to perform a task proficiently (for reviews of this methodology see [Hoffman, Shadbolt, Burton, & Klein, 1995](#); [Kim &](#)

Courtney, 1988; Olson & Reuter, 1987). The findings from the application of CTA methodology to the study of global leader cognitive processes could serve as a basis for training future global leaders and perhaps help determine where people are on the novice-expert continuum for assessment purposes.

Unfortunately, the lack of research on training effectiveness and expertise in global leaders prevents us from recommending a specific program of expert training for global leaders. We can, however, extrapolate from general information about expert training to suggest that global leader training would involve apprenticeships, coaching, simulations, feedback on decisions and performance in unfamiliar circumstances, cross-functional experiences, self-awareness, mastery of an extensive knowledge base, training to use emotion and right brain data to improve intuition, and case studies of expert thinking (Prietula & Simon, 1989; Hayashi, 2001; Klein & Hoffman, 1993). Developing the required global knowledge bases and competencies are crucial training components, but they are not sufficient to insure superior global leadership behavior. They should be complemented with experiences that are carefully designed to build expertise and perceptual skills, involving a wide range of different experiences to replicate the challenges global leaders face. We have all seen expatriates who buffer themselves so thoroughly that they learn as little as possible about the host culture and local business practices; their years abroad may sound impressive but this experience will not produce expertise unless both firms and leaders-in-training are committed to leveraging such learning opportunities and following up with reflection and applications.

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GLOBALIZATION: THE BASIC PRINCIPLES OF LEADERSHIP ARE UNIVERSAL AND TIMELESS

David P. Campbell

ABSTRACT

In this paper, I describe nine universal leadership competencies that transcend cultural differences. First, I provide examples to show that globalization is not a new phenomenon and that many of the challenges leaders face are caused by the speed of change made possible by permeable boundaries rather than globalization per se. Then I describe the nine universal competences. These universal competences cover the major tasks of organizational leadership and apply around the world.

Before becoming a cliché in our time, *globalization* was propelling the tire makers along ... Together they created a global market for the car (ca. 1896). (*Wall Street Journal*, Feb 20, 2004) (From an article reporting on the history of Michelin tires.)

People abroad are going to realize how much they enjoyed *globalization*; they watched the movies, listened to the music, vacationed in America and sent their children to college here. They could denounce America by day and consume its bounties by night. (Fareed Zakaria, *NEWSWEEK Magazine*, July 26, 2004)

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The concept of “globalization” is so widely and indiscriminately applied and is so poorly defined as to be a dubious concept for understanding any current phenomenon.

Here are three disparate examples that might reasonably be described as “globalization” but whose common threads are too elusive to make the concept useful.

On or about August 15, 1914, the merchants of Valparaiso, Chile noticed an abrupt drop in demand for their supplies by sailing ships heading around Cape Horn, the bottom tip of South America, ships that were sailing in both directions approximately 13,000 miles for 2–4 months between the coasts of America. On that day, the Panama Canal opened, reducing the trip by 8,000 miles, cutting the transportation time to half.

History does not record how much warning the Chilean suppliers received, but they were certainly not consulted about this abrupt death rattle for their businesses. The “outsourcing” of their jobs, and indeed their businesses, to more northern ports was surely an early example of “globalization,” as usually defined.

Another more contemporary example: on March 30, 2004, the New York Yankees and the Tampa Bay Devil Rays opened the U.S. 2004 baseball season in the Toyko Dome, Tokyo. At least one TV commentator, adopting the jargon of the times, described it breathlessly as “the beginning of the globalization of athletics.” One wonders what the Greeks thought about that, having organized and hosted the first multi-nation Olympic Games in 1896, over 100 years ago.

Another athletic organization, the Harlem Globetrotters, the U.S.’s popular African American basketball team, might have also had some reaction to the commentator’s observation. This team, composed of superb athletes and wonderful entertainers, has been playing internationally since 1927, appearing in approximately 120 countries, and they have become arguably the most beloved athletic team in history. Four generations of parents, all over the world, have taken their children to see these gifted athletic entertainers, confident that they will once again watch a fluid, black, artistic basketball ballet, jiving to the world recognized lyrics of “Sweet Georgia Brown.”

HOW MUCH MORE GLOBAL CAN YOU GET?

The third example and perhaps the most impactful “globalization” event of all times occurred on October 4, 1957 when the Soviet Union launched their first Sputnik satellite. In the space of a historical heartbeat, international

borders became more porous with peculiar ramifications. For example, within a few years, one of the many “globalization” results of this event was that Soviet scientists reportedly pored over the U.S. satellite LANDSAT’s photos because those photos gave the Soviets a more accurate prediction of the U.S.S.R.’s probable grain production than did their own data. Hardly anyone could imagine that 50 years later, space would be interlaced with some 8,000 satellites serving military, agricultural, telecommunications, navigation, earth surveys, and a myriad of other uses, all cutting across international borders, a sort of continual electronic globalization.

Nor could anyone could imagine in 1957 that the Soviet Union would disappear within the next 45 years. Could that event be considered an instance of “reverse globalization?”

OUTSOURCING OF JOBS AS DEFINING “GLOBALIZATION”

Probably the most frequent use of “globalization” in the current media is to report the migration outward from the U.S.A. of call centers or computer programming with most of the references implying that this is a new phenomenon, yet the relocation of workforces, either through migration of jobs or migration of workers, has been going on for centuries.

In the late 1800s, immigrants from central and Eastern Europe worked the rich iron mines of northern Minnesota, providing the iron ore to feed the blast furnaces of Pennsylvania. The heritage of those workers – Czech, Estonian, Latvian, Lithuanian, Polish – can still be seen in the high school rosters of “Iron Range” schools such as Chisholm, Hibbing, or Virginia, which are laced with unpronounceable family names.

Other employment migrations are easy to cite: the Chinese who came to California in the 19th century to help build the Intercontinental Railroad, the textile workers from New England who saw their jobs move to south-eastern U.S.A. (beginning in the early 1900s) and then overseas to China during the 1960s and 1970s, the Pennsylvania steelworkers who saw their steel mills shut down in the 1970s because they could not compete on price with foreign products, the lumber mill workers of northwestern U.S.A. who were blindsided by the peculiar development whereby it is apparently cheaper to send bulk lumber to Japan to be made into plywood sheets and ship them back to the U.S. than it is to make the plywood at home.

The only common thread between these examples – the Valparaiso merchants, the New York Yankees/Devils Rays, the launching of Sputnik, and

the numerous instances of jobs or workers migrating elsewhere – is that they all occurred over multiple geo-political boundaries.

If that is the only criterion for calling something “globalization,” then a host of other phenomenon qualify: earthquakes, tidal waves, over-fishing of fishing locations, illegal immigration, international epidemics, slavery, the Navys of the world, the relative standardization of traffic signs all over the world, and any sort of international competition whether it be athletic, musical or honorific, such as the Nobel Prizes.

A DEFINITION OF GLOBALIZATION

Precisely What is Globalization, and How Do We Recognize It?

Here is a possible definition: globalization refers to any force that creates an unexpected, uniform, sometimes disruptive condition across heretofore-impermeable boundaries within which the relevant conditions were previously varied. A visible example is the replacement of local dress by the internationally ubiquitous blue jean.

As it is usually employed, the term globalization often implies some notable disruption to some current state of equilibrium.

Curiously, the degree of perceived disruption is mainly determined by the amount of media attention focused on the change. Thus, well-known “globalization” changes, such as global warming, the move to global markets, the outsourcing of jobs, and potential disease epidemics have been relentlessly reported by the media as massively disruptive even when hard data suggest otherwise. A vivid illustration was the SARS episode in 2003. A mild hysteria was created that summer in the United States by the dire coverage of the SARS outbreak although more Americans died that summer by being hit by lightning, or by choking on fish bones in restaurants, or by being stung to death by bees, or indeed by any other way of dying because the number of Americans who died from SARS was zero.

In contrast, other apparently equally potent changes toward global uniformity have been mostly ignored by the media and thus accepted quietly by the affected populations. Examples include the steady spread of English as the international language of choice across areas such as business, science, government, navigation, and athletics, even though those most affected – non-English-speaking people – have been denied millions of educational and occupational opportunities by this language barrier.

An even subtler, under-reported globalization change over the last two or three centuries has been the increase in average height which can be

detected, for example, in the increasing length of bunks on warships. This change has oozed into existence with essentially zero awareness in the media, even though it has direct implications for furniture design, theater and airplane seats, and clothing sizes.

Other somewhat screwy examples abound of substantial global changes happening beneath the media radar. A whimsical example began in 1962, when Edward Thorpe, a California professor of mathematics, wrote a scientifically sound, highly readable book called *Beat The Dealer*. Writing about the casino game of blackjack (called “21” in some settings), Thorpe showed that by counting the various patterns of cards played, the changing composition of the deck between shuffles could be determined and situations could be detected where the player’s probability of winning briefly exceeded that of the house’s probability. At that point, Thorpe’s theory, based on lengthy and clever statistical analysis, essentially said, “your odds of winning the next few hands are greater than the dealer’s; therefore, place big bets now.”

Over the long haul, dedicated, accurate “card counters” using this strategy could indeed “beat the dealer” (Thorpe, 1962).

His brilliant system was so effective that within a few years casinos worldwide changed their blackjack rules, the most important change being the introduction first of two decks, then four decks, then six decks to make card counting much more difficult. Even that has not been enough for some casinos; they have introduced mechanical shufflers, which shuffle the decks continuously so as to constantly create infinite arrangements of cards. Card counting against such tactics is impossible.

As far as can be determined, no one has ever cited the Thorpe-created worldwide uniform changes in blackjack rules as an instance of “globalization,” not even those experienced, successful card counters who have seen their employment possibilities “out-sourced,” though they did not necessarily go quietly. In his second edition, Thorpe reports instances of dedicated card players – who had arrived at more primitive yet successful rules of their own, essentially based on the Thorpian principles – being angry at him for revealing their closely guarded secrets, perhaps an early dispute about the use of a peculiar category of intellectual property (Thorpe, 1966).

HISTORICAL EXAMPLES OF GLOBALIZATION

Globalization, under various definitions, has been with us for centuries. Examples of historical international factors that have likely had as much

impact, both good and challenging, in their day as does the current explosion of technology include

- The establishment of lines of latitude and longitude.
- The universal adoption of time zones.
- The firm establishment of country borders.
- The universal adoption of identity cards, such as passports.
- The simultaneous colonization of much of the world in the 1700s and 1800s by western countries – England, France, Germany, the Netherlands, and Portugal.

Other examples include almost any form of scientific breakthrough leading to a widespread adoption of a useful new development. In communication, for example, that would include the printing press with moveable type, bulk production of paper, international postal systems, telegraph, telephone, transcontinental and transoceanic telephone cables, direct telephone systems (calls without operators), fax machines, FEDEX delivery systems, satellite communications, and the Internet. Each one of these communications systems in their time has substantially changed the world.

Innumerable similar listings could be developed for a wide range of other areas: science, music, agricultural, medicine, warfare, athletics, fashions, or religions. Historically, we have always been immersed in oceans and eras of “globalization,” however defined.

What Has Changed?

Clearly, we are living in a rapidly changing world. If “globalization” is not the answer, what is?

I would argue that the answer is the current overall speed of collective change that is producing the feelings of compressed international turbulence. This suggests that globalization is a result of such changes, not the cause. The real driving force behind these dislocations is the speed of change of widespread adoption of new approaches, especially in areas that have heretofore been stable. The changes are especially obvious in the dramatic increases of speed and coverage in communications and transportation.

Collectively, these simultaneous changes require more flexible organizations and more nimble managers, especially as today’s global managers are confronted daily with challenges in many aspects of both their personal and working lives, challenges in apparent disparate areas such as differing local dress and food customs, currency swings, technological advances, different

work ethics, and varying degrees of ethics. How can this swirling cauldron of demands be analyzed and understood so that systems can be devised to handle the new complexities? Can all of these changes be lumped together into a single, useful category of “globalization?” If not, how can we make sense of all of the forces at work, especially in the area of executive selection, development, and performance?

McCall and Hollenbeck on Global Executives

Morgan McCall and George Hollenbeck (2002), in their excellent book on international managers, have suggested a way of thinking that might help us understand how simultaneous “global” changes and their resultant demands impact international executives.

In an ambitious study conducted over several continents involving lengthy interviews with 101 global managers, they concluded that these managers were dealing with two basic kinds of change. The first, they labeled “business cultures,” which is obvious; the other more subtle changes, they labeled “culture cultures,” the latter implying changes that had little to do directly with the business culture but rather with what might be thought of as a series of “cosmetic cultures,” that is, superficial differences between cultures which are important psychologically but are essentially unrelated to the basic work of the organization. Examples might include language, dress codes, one’s stance when greeting people (such as bowing), working hours, distance one stands from another person while talking – in short the whole range of cultural differences that often provide the spice of international travel but that may require considerable energy to deal with on a continual, daily basis. Think unfamiliar food 24/7.

Adopting this innovative, conceptual formulation may provide a useful way of thinking about globalization, especially if we extend the McCall/Hollenbeck analyses to include a wider variety of “cosmetic cultures.” Their analyses were mainly restricted to input from the cosmetic cultures of middle-aged, well-educated, English-speaking white males (95 of their 101 interviewees were male), mostly employed by multi-national corporations.

To extend their formulation, imagine a wider range of “cosmetic cultures,” each one representing differing patterns of beliefs or demands that are operating on people within that culture, such as scientists, artists, military officers, teenagers, speakers of diverse languages or religions, and, of course, women.

Further imagine that each culture can be represented by a bounding circle with anyone who falls within that circle being impacted by the features of

that circle. For example, one person might fall simultaneously into the American circle, the corporate circle, the well-educated, middle-aged white male circle, the Protestant circle, and the married circle, just to cite a few obvious ones.

Anyone lifted out of one pattern of these circles and transplanted to new circles would undoubtedly retain the opinions and behaviors of the previous circles, but they would also have to simultaneously adapt to the new ones. If several circles changed at once – for example, if a modal person from the McCall/Hollenbeck “cultural” circles was transferred suddenly into several different other circles, such as becoming the chief financial officer of an Asian university staffed mainly by celibate Buddhist monks with little grasp of English or western customs – the level of required adaptation would soar. New cosmetic cultures would simultaneously come into play: a strange language and local customs; accounting requirements in a foreign setting; membership in a religious, academic institution; change in family configurations with attendant changes in social interactions; and absence of computer assets. Collectively, such changes would lead to wrenching demands with the resultant feelings of personal and organizational tension.

Still, in this Buddhist example, although the customs of the cosmetic circles would have to be responded to appropriately, they would not directly affect the principle mission of providing professional accounting services for the organization. The bottom line is still the bottom line. Adaptive responses to cosmetic cultures would not in themselves lead to a successful organizational outcome.

An analogous conclusion can be drawn about performance in other international settings, whether they are manufacturing plants, hospitals, military units, airports, elementary schools, or oil refineries. Underlying any cosmetic circle demands would be the need for basic leadership skills. Without them, all of the cosmetic adaptations in the world will not be sufficient for effective organizational performance. More about this is discussed below.

THIRTY-FIVE YEARS OF I/O “BREAKTHROUGHS”

In the face of these rapid changes, the profession of industrial/organizational psychology has not been passive. “Breakthroughs” of various sorts have been touted, almost annually, as a new panacea for leadership development and organizational effectiveness. [Table 1](#) lists 35 such approaches proposed roughly within the last 35 years. While some of them appear, in

Table 1. Thirty-Five Years of Leadership Fads, Fashions and, Possibly, Breakthroughs.

Theory X, Theory Y; The Managerial Grid; Theory Z; Situational Leadership; Personality and Career Surveys; Assessment Centers; Sensitivity Training; EST (Erhard Seminars Training); Decision Making; Brainstorming; Left Brain/Right Brain; Transactional Analysis; I'm OK, You're OK; The One Minute Manager; Outward Bound; Continuous Improvement; MBO (Management by Objectives); TQM (Total Quality Management); Transformational Leadership; Quality Circles; Kaizen; Edward Deming; Ropes Courses; Zero Defects; In Search of Excellence; Six Sigma's; 360 Degree Surveys; The Seven Habits of Highly Effective People; Diversity Training; Emotional Intelligence; DOT.com's "Be Quick or Be Gone"; Good to Great; Competencies; Globalization; The World is Flat

hindsight, to be almost synonymous with witchcraft, many of them have left useful residues. Collectively, they have led to the identification of a set of universal competencies, which are discussed in detail in the final section of this chapter.

Note that "globalization" is the most recent entry to this panoply of approaches.

Here are some examples of what we have learned from a variety of these "fashions."

- *Assessment centers* have taught us the value of quantifiable observations of performance by experienced raters observing standardized challenges presented to assesses.
- *Sensitivity training* has taught us about the power of personal feelings.
- *Brainstorming* has taught us to initially relax our usual critical stance and to consider, at least briefly, even the wildest ideas.
- *The one minute manager* has emphasized the importance of immediate constructive feedback for performance improvement.
- *The seven habits of highly effective people* has demonstrated the influence of crystallized common sense, eloquently presented. In contrast, academic psychologists often know more than they are able to convey clearly to laypeople.
- *Globalization* has required us to attend to the international connections between systems, populations, possibilities, and problems.

From these and other streams of philosophy, historical observations, and hardheaded empirical research, nine basic competencies of leadership have been distilled. While they have evolved from a host of streams, some rivulets, some floods, their basic validity is founded, once again, on crystallized common sense. One can hardly imagine an individual leader, or an organization,

sustaining high performance in the absence of even one of the following “core competencies” or “skill sets.”

The unassailable conclusion is that no matter what the fashion of the moment, these basic characteristics had best be valued, measured, and developed within individuals in leadership roles, raising these necessary competencies to a level of importance above any contemporary “trendy myth.”

NINE UNIVERSAL, TIMELESS COMPETENCIES OF LEADERSHIP¹

Over the last several years, the concept of “leadership core competencies” or “skill sets” has swept the corporate and governmental worlds with many organizations feeling that they must have their own idiosyncratic list. Yet anyone who has studied the lists of leadership competencies from, say, 10 different organizations has to be impressed with the substantial overlapping content. Left to their own devices, most organizations come to essentially the same conclusions about the basic fundamentals of good leadership.

The basic competencies can generally be divided into two categories: those that can be shared or delegated to others, and those that each leader, no matter what their level, must personally have. These two categories are discussed below.

Six Basic Leadership Competencies that can be Shared or Delegated

The first six basic competencies cover the major tasks of organizational leadership (as opposed to individual leadership); in all settings over time, these six must be present and well executed. Without them, the organization and its membership will eventually suffer. Normally, it is the organization’s leaders who will display these competencies, either directly or through delegation.

1. Vision. Establishing the general tone and direction of the organization.

Without vision, the people perish (Proverbs 29:18).

This competency involves setting a forward direction in a persuasive manner that both organizes and motivates those who are necessary for the organization’s performance. Being a successful visionary implies creating new projects, products, and programs and then finding the necessary resources to carry them out. The latter is imperative. Without resources, a

vision is merely a fairly tale. Given the current global complexity, vision also requires thinking beyond national and cultural boundaries. Establishing the vision for an organization can be shared, indeed sometimes must be shared, as in a university where the faculty is central in planning the university's future, or in a hospital setting where the medical staff is equally central.

2. Management. Setting specific goals and focusing the necessary resources for achieving them.

In many ways, this competency represents the muscular strength of the organization. The visionary thinking has set a tone and direction; now there is heavy lifting to be done. Specific goals need to be defined, work assignments have to be made, metrics for measuring progress or for detecting problems have to be developed, performance appraisal systems have to be installed, and established accounting principles have to be followed. If any customs from the prevailing cosmetic circles conflict with these basic needs, there will be tension in the air. Appropriate adaptations will have to be created.

3. Empowerment. Selecting and developing subordinates who are committed to the organization's goals.

This competency involves finding good people and bringing out the best in them, both currently and in the development of future leaders. A leader must be perceptive, encouraging, supportive, a good coach, and a good mentor. In particular, leaders should be concerned that the organization has a more effective, motivated, creative workforce next year than it has this year. Any organization that cannot attract, develop, and retain effective, motivated people will have a short half-life.

4. Diplomacy. Forging coalitions with important internal and external constituencies: peers, superiors, subordinates, potential allies, and other important outside decisions makers.

This competency involves the understanding that many people around the organization's periphery may have considerable influence on what the organization can achieve in the near and distant future. Thus, diplomacy necessarily requires a broader, longer, yet fuzzier focus than do the normal day-to-day challenges. Which allies are you going to need in the distant future? Because you cannot know now, virtually everyone should be viewed as a possible future ally. Likewise which flanks will need protecting? For example, where will unreasonable regulations come from? Again, you

cannot know so an entire mosaic of allies should be created to develop resources that may be necessary in an unforeseeable, threatening future.

Further, the creation of enemies should be avoided. As an anonymous observer has noted, “Friends come and go but enemies accumulate.” People who think differently than you today may prove to be some of your most effective allies tomorrow. Again, because of the growing importance of global markets and contacts, some portion of the leader’s diplomacy energy should be devoted to individuals and organizations of differing cultures and nationalities. Many current leaders, immersed in daily demands and hassles find little time to be diplomatic in larger circles. Such a stance can lead to future unpleasant surprises. Markets can disappear, onerous regulations can be imposed, and talent can float beyond the organization’s periphery. Small diplomatic steps need to be taken today in preparation for the journeys of the future.

5. Feedback. Observing and listening carefully to clients, customers, voters, employees, students, team members (i.e., all concerned parties), and then sharing the resulting information in a manner that those affected can accept as beneficial.

This competency involves collecting and honestly reporting data about the performance of the organization on important metrics – such as customer characteristics and satisfaction – and also collecting and sharing, in an appropriately private way, data about the performance of specific individuals. Such information should be used in an instructional, coaching style to help both groups and individuals improve and further develop their strengths, and also to acknowledge and deal effectively with their weaker points. Feedback is closely related to the empowering competency; both are involved in directly helping individuals, teams, and organizations improve.

6. Entrepreneurialism. Finding future opportunities, such as increased revenues, new product lines, expanded markets, or a higher probability of other desirable outcomes such as international peace, a healthier environment, or the creation of beauty through mechanisms such as new projects, programs, or policies.

This competency is focused on creativity and innovation, on bringing in new ideas for future activities and making them work. This requires both the ability to think outside of the box, to see opportunities that others are missing, and also a sense of reasonable but persistent risk taking because new ideas seldom work perfectly the first time. Thus, durability – the ability

to lose, and then to lose again, and then to lose better – is essential. Virtually every dramatic breakthrough, including the creation of new organizations, requires a courageous decision on someone’s part. Fortunately, this competency can be delegated such as when creative subordinates are allowed, even encouraged, to take chances, knowing that the leader will provide cover if they fail, as long as they keep failing better. Another delegation mode is to seek innovation from outside sources such as advertising agencies, research laboratories, or specialized think tanks. One means of evaluating this competency is whether new ideas are flourishing from multiple sources within the leaders’ environment, ideas that the leaders themselves did not have.

Three Personal Competencies of Organizational Leadership

The remaining three competencies represent personal characteristics necessary for successful individual leadership. Successful leaders must have these characteristics themselves; they cannot be delegated. Without these, no matter how skilled leaders are in the other six components, they will have trouble focusing the attention and activities of their organization’s members.

7. Personal style. By personal example, setting an overall organizational tone of competence, optimism, integrity, and inspiration.

No matter how competent leaders are in carrying out the first six competencies, they still must set an appropriate tone for the organization. They need to be personally competent and effective, with an appropriate amount of experience. They need to be credible and optimistic, and the credibility and optimism need to be visible. They need to provide an energizing role model for everyone around them, which also often requires a sense of humility, a sense of servant leadership, a sense of “We are all in this together, now how can I help you achieve your goals?”

8. Personal energy. Living a disciplined, wholesome lifestyle with the necessary energy and durability to handle the physical demands of leadership: long hours, stressful decisions, conflict, and its resolution, wearying travel.

A simple review of the above competencies, with the implicit need for the necessary physical energy for carrying them out, emphasizes the need for personal health. The life of a leader is demanding; it is neither for the frail of

heart nor for the weak of constitution. Further, leaders need to radiate this energy throughout the normal organization setting; they need to be seen as energetic, as capable of hard work over long hours, as effective, calm, and motivating even when under obvious stress. This physical health pattern is increasingly important in a range of global settings where situations may require often working outside of the normal comfort zone.

None of this is meant to imply that individuals with varying degrees of disability cannot operate as leaders – they simply have to find ways to use their resources in unique ways to accomplish the above competencies. When they do, they make wonderful motivational examples for the rest of us.

9. Multi-cultural awareness. Being experienced and comfortable when working with diverse individuals in organizations that cut across geographic, demographic, ethnic, and cultural borders.

This competency, which is essentially an amalgamation of many of the above competencies, is where an appreciation of “globalization” is most important. The world has become more complex. Even the average person today meets a wider range of individuals and situations than was true in an earlier, simpler time. Travel to distant places, communication through other languages, and exposure to different modes of thinking both through daily contacts and through the pervasiveness of the media is now descriptive of everyday life. Thus, people with leadership responsibilities need to be especially aware of the necessity for, “multi-cultural awareness.”

Once again, note that all nine of these competencies have to be present for an organization to be sustainable over time. If any one of them is lacking, the leadership boat will eventually develop leaks and flounder.

A Final Personal Aside

Here are three specific examples where I would dearly love to see “globalization,” that is, worldwide uniformity: first, a worldwide standardization of electrical outlets, preferably 110 V; second, all traffic everywhere flowing in the right-hand lane; and third, easily the most impactful change of all, one that would immediately ratchet up the quality of life all over the world, the universal availability of clean water from local taps.

Will these changes happen? Not without relying on the basic competencies. Cosmetic approaches alone cannot succeed. Clean water does not care which language you speak, or what religion you belong to, or about any of your “cosmetic” characteristics such as age, gender, skin color, or

country of national origin. Clean water requires good plumbing the world over.

SUMMARY

The concept of “globalization” has become a dubious proxy for referring to any one of the many worldwide changes, especially in the world of leadership and management. As currently used, the term is too vague to suggest any practical procedures or solutions.

Globalization in its many forms has always been with us, from the time of Marco Polo, Columbus, Vasco de Gamma, to the use of 21st century satellites. In its current form, globalization has been used to refer to topics ranging from immigrant migration for better employment, the exporting of jobs to other countries, the development of worldwide markets, the universal expansion of most communication and transportation channels, and the widespread adoption of American music, dress, and fast foods.

One possible way to make sense of the concept is to view globalization as the simultaneous impact of overlapping “cosmetic cultures”, that is, the business, environmental, and social forces operating on anyone in a leadership position who is trying to create effective outcomes in the midst of rapid, turbulent, international changes. Each individual can be thought of as a product of several simultaneous cultures, such as Asian, male, young, artistic, youngest child, born in Australia, university educated. Each of these cultures will influence the manner in which those who find themselves in leadership positions will perform.

However, these “cosmetic” cultures are not sufficient to create effective leadership. For effective leadership, the nine basic competencies described above must be present, no matter what the overlying cosmetic cultures dictate. The basic universal, timeless leadership competencies are vision, management, empowerment, diplomacy, feedback, entrepreneurialism, personal style, personal energy, and multi-cultural awareness. These nine, in various combinations, can be used both as guidelines for present accomplishments, and for the development of future leaders. If any of them are missing, the organization will eventually suffer. When that happens, any further aspect of “globalization” becomes irrelevant.

NOTES

1. The following material has been adapted from Campbell, D. *Facilitator's Guide for the Campbell Leadership Descriptor*, Jossey-Bass/Pfeiffer, San Francisco (2002).

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**PART II:
LEADING GLOBALLY**

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INTRODUCTION: LEADING GLOBALLY

The seven papers in Part II all focus on the practice of global leadership. Compared to those in Part I, these chapters focus more on practical solutions to the problems that leaders face than the analysis of fundamental processes, although this distinction is one of the degree. All the authors in Part I explore the practical implications of their ideas, and those in Part II contribute to the development of fundamental concepts. Thus, it is the relative emphasis on foundations versus application that distinguishes Parts I and II.

In the first two chapters, Allen Morrison and J. Stewart Black explore three characteristics of effective global leaders. In Chapter 8, Morrison explores the role of integrity. As Morrison points out, global leaders often face ethical dilemmas when working in environments where local business practices differ from company standards. In these situations, managers may feel compelled to violate those standards. He reviews common ethical dilemmas that managers experience, and then he describes four characteristics of people who manage these ethical dilemmas with integrity.

In Chapter 9, Stewart Black explores two more characteristics of effective leaders. First, he describes the importance of being inquisitive. He shows how being curious and seeking opportunities to learn contribute to success when leaders work in unfamiliar environments. Then he goes on to describe the importance of embracing competing demands, particularly the dual demands for global integration in addition to local responsiveness.

In Chapter 10, Stan Shih, the retired Chairman & CEO, Acer Inc., J. T. Wang, the current Chairman & CEO, and Arthur Yeung, who was Chief HR Officer at Acer Inc., show how these dual demands drive efforts to stay competitive. They chart the key challenges that leaders at Acer faced in their drive to succeed in the highly competitive and rapidly changing personal computer industry. Then they show how the company's strategy, structure, and processes were transformed to meet those challenges. At the

end of the chapter, Shih et al. reflect on their experiences and share personal insights about the roles that global leaders play in highly competitive environments.

In Chapter 11, Xavier Gilbert and Peter Lorange explore this duality further as they describe the standardization and localization of global best practices that derive from global learning. To show how this works, they present a model of global learning grounded in individual learning and augmented by social and organizational processes that help ideas cross organizational boundaries. These ideas can be adopted as best practices across the company, or the key learning can be adapted to meet local needs. Finally, they present a set of guidelines that managers can use to build this capacity for global learning in their own companies.

In Chapter 12, Neil Sendelbach and Michael R. McGrath describe the framework they use to help managers examine the links between their companies' strategies, the organization capabilities required to implement those strategies, and the need to develop their own management and leadership skills. They show us how they use this framework, called the competing values model, in two executive development programs designed and delivered by the University of Michigan's School of Business. Finally, and most important for our purposes, they explain why this model has proved to be useful for leadership development around the world.

In the last two chapters, Juan Antonio Fernández, Carolyn M. Youssef, and Fred Luthans describe the challenges that leaders face in two very different locations. In Chapter 13, Fernández reviews challenges that managers face when building a business in China, and he explains why being agile is essential to success. He shows that managers must be fast and flexible to respond to unexpected events and unanticipated problems in three domains: inside the workplace, in the external environment, and in the manager's own personal and family life. Overall, this chapter provides a good introduction to the challenges of working in China and some advice on how to master them.

In Chapter 14, Youssef and Luthans shift our focus to Egypt. After reviewing key elements of Egypt's economic and cultural environments, they show how building hope among Egyptian leaders might help them energize their organizations to move ahead. To make this point, Youssef and Luthans review recent research on hope and link it to the benefits that accrue when leaders build a positive organizational climate. Finally, they explain what might be done to build hopeful leaders and what leaders might do to inspire hope in the people they lead.

Taken together, these chapters highlight some of the key challenges that global leaders face. They also provide a plethora of new ideas, tactics, and guidelines that leaders can use to meet these challenges head-on. In this way, each one contributes to our growing understanding of effective global leadership.

Elizabeth Weldon
Editor

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ETHICAL STANDARDS AND GLOBAL LEADERSHIP

Allen Morrison

ABSTRACT

In this chapter, I consider the dilemmas that global leaders face when working in a business environment where local laws and business practices differ from company standards. I describe some of the ethical dilemmas a manager might face when dealing with people inside and outside the company. Then I explain how integrity is essential in managing these dilemmas successfully.

Global companies need global leaders who adhere to their company's ethical code everywhere the company does business. But global leaders are often challenged when local laws and local norms for doing business are incompatible with their company's ethical code. Ideally, normal business practices, laws, and ethical standards would be the same worldwide. However, we know that they usually are not. Not only are global leaders challenged to understand the complexities of often-conflicting local business norms and legal codes in different places, they also face the challenge of defining and enforcing ethical codes of conduct for their companies. Unfortunately, on matters such as labour practices, bribery, and pollution, local laws may not exist or they may be routinely ignored. In fact, the differences between the legal standards of countries that score low and high on indicators of

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corruption are often miniscule,¹ showing that legal standards for behaviour and norms of conduct often diverge.

Differences between local practices and company standards create a dilemma for a leader. What are effective global leaders to do in responding to national differences in acceptable norms? Can local business practices be reconciled with company standards? Should leaders go with accepted practice or stick to corporate standards? Many global leaders stand firm and follow company standards, but others do not.

In this chapter, I consider the dilemmas that global leaders face when working in a business environment where local laws and local business practice differ from company standards. I do not discuss or analyse the ethical standards that global companies should adopt. (For thoughts on this issue, a wide number of useful references are available.²) Rather, I focus on ethical global leaders. I start by examining the relationship between integrity and leadership and the importance of integrity in internal (to the company) and external activities. Then I describe the characteristics of leaders with high ethical standards – what they value, how they set standards, and how they implement and enforce these standards globally.

INTEGRITY AND LEADERSHIP

Integrity, a word that connotes the quality or state of being whole or undivided, forms the bedrock of character. The global leader with integrity exhibits this quality by demonstrating a strong and persistent commitment to both personal and company standards.³ The integrity of a leader is demonstrated in two arenas: (1) external activities through which a manager represents his or her company to the outside world, and (2) activities within the company itself, as leaders interact with other managers and with employees.

Integrity in External Interactions

The image others have of a company – whether they consider the company as being ethically positive, neutral or negative – is in large measure created and supported by the ways in which a global leader acts towards those outside the company when negotiating with suppliers or customers, interacting with government officials, dealing with competitors, meeting national leaders in other fields, and in other activities. Demonstrating integrity in

external relationships is particularly challenging for global leaders when tremendous differences in acceptable practices and national regulatory controls exist across countries and cultures. The difficulty of demonstrating integrity is markedly increased as the divergence of local behavioural norms from a company's ethical standards grows. Others have described this situation as a discord between descriptive (what is) and normative (what should be) ethics.⁴ In order to get ahead in business, a leader may be tempted to subordinate company standards to local norms in areas such as environmental protection, product and service quality, and employee rights and benefits. But global leaders face substantial risks if they decide to adopt low standards because they may set a precedent and open up their companies and top leaders to critical public scrutiny, and also to the enforcement of previously disregarded legal standards. Managers who bend their company's standards bring discredit to themselves and their organizations, and risk the continued well-being of the enterprise itself. Nevertheless, as companies push into global markets managers face pressure to do so.

This was the dilemma that Tony Wang, vice president of KFC for Southeast Asia in the late 1980s, faced when his Chinese partners pressured him to lower company standards for quality, service, and cleanliness. The argument was that Chinese customers did not expect, and certainly were not used to, quality, service, and cleanliness standards at the levels KFC had adopted worldwide. Wang undoubtedly could have increased short-term profits by loosening up on the standards used in KFC's China operations. But he realized that KFC's ability to maintain high standards worldwide determined the attractiveness of its product, both to consumers and to current or potential franchisees. To his credit, he did not back down, but maintained worldwide standards in KFC's China operation. The restaurant was a booming success and KFC now has more than 1,000 restaurants in the country. The moral is clear – good business and good ethics go together.

What options are open to global leaders who find that their own ethical standards and those of their company are simply not compatible with the norms of behaviour and legal standards in another country or society? There are three primary options:

- The leader can refuse to operate in the country. This may require shutting down a business enterprise and is not likely to make friends in the national government and its bureaucracy.
- The leader can maintain his or her standards, recognizing that this may result in the company being placed at a competitive disadvantage vis-à-vis others that are not bound to the same ethical standards. For example, in

the early 1990s, when the Russian mafia was at its zenith of power, most Western companies refused its advances for payoffs. In retaliation, the Mafia reportedly launched a bazooka attack on a bottling plant that Coca-Cola was building in Moscow and worked to intimidate Coke distributors.⁵

- The leader can play the game the same way some others do, by changing his/her ethical standards and going “with the flow”.

The third option – to “play the game” – is seductively easy to rationalize. After all, what is corruption to one person may be the norm for another. Also, if the target of a bribe or payoff is already corrupt, what harm has been done? These attitudes have led to widespread corruption in some countries. A World Bank study of 3,600 firms in 69 countries found that 40% of those businesses pay bribes.⁶ In another World Bank report, it was estimated that the cost of corruption represents about 7% of the annual world economy or approximately US\$2.3 trillion. This amount corresponds with the entire U.S. federal budget.⁷

Aside from the difficulties arising from the prostitution of ethical standards, the “play the game” approach to doing business globally typically does not work in the long run. In a major study of the costs and benefits of ethical behaviour, the UK-based Institute of Business Ethics examined the financial performance of a wide range of multinational companies.⁸ The study compared a broad set of financial measures of two groups of companies over a five-year period (1997–2001) – companies that demonstrated a high commitment to ethical behaviour and those that did not. The study found that the ethical companies outperformed the others in terms of economic value added (EVA) in four out of five years. In terms of market value added (MVA), a measure of long-term wealth creation, the performance gap was even more pronounced. Ethical companies also had less volatility in stock prices and were significantly more likely to be ranked in the set of UK’s most admired companies. The British study is consistent with studies of U.S. companies which show similar results.⁹

In addition, once ethical standards are compromised and ethical boundaries crossed, others outside the company may well attempt to exploit the exposed weaknesses.¹⁰ Attempts at blackmail or other forms of coercion are not uncommon when managers get involved in corrupt practices. Foreign nationals often see global leaders and large multinational companies as inviting, deep-pocketed targets. The tendency by criminal clients to attempt to exploit ethical weaknesses in global leaders is very real, particularly in

countries with organized crime syndicates and lax, often corrupt, law enforcement.

Furthermore, unethical behaviour in a given country can rarely be limited to that country alone. Eventually, those in other countries find out. Attempts to exploit the weaknesses simply multiply and company reputations suffer, perhaps for decades. Indulging in unethical behaviour is a slippery slide on which the perpetrator soon risks becoming a victim. It is far smarter to stay on the high ground of ethical behaviour than to attempt to climb back up to it.

The lesson seems clear: companies that operate globally must, if they value success in the long term, adopt and consistently apply high ethical standards on a global basis. These standards must not be linked to the lowest standards allowed. They must, in fact, be equal to or greater than those in the country with the highest standards. Nothing else will suffice.

Our research indicates there are two primary areas where the ethics of global leaders are most likely to be challenged. They involve (1) environmental standards and (2) standards involving gifts and gratuities. First, let us consider environmental standards.

Environmental Standards

In the short run, companies may gain financially if they embrace the lowest standards relating to the environmental impact of their operations. But in the long run they, their workers, and indeed the general public, will suffer. Environmental pollution resulting from toxic effluents from manufacturing plants, for example, not only blights the physical environment around the manufacturing facility involved, but may put at risk the lives of large numbers of people. The oft-told tale of the toxic emissions of methyl isocyanate gas from a Union Carbide pesticide manufacturing plant in Bhopal, India, which killed thousands of local inhabitants, is a case in point. Quite apart from the local problems, which were horrendous, that incident did tremendous damage to the worldwide prestige of the company. Rightly or wrongly, many observers interpreted the event as evidence of a company that did not pay enough attention to the safety of its facilities and put profits over people. Reputations once lost, for whatever cause, are hard to regain and perceptions may have more impact than facts. Multinational companies with headquarters in industrialized countries where there are stringent pollution controls and very powerful environmental lobbying groups are at particular risk in their home markets if they are portrayed as greedy polluters in developing countries.

The ineluctable fact cannot be stressed too much that in today's increasingly environmentally conscious world, for a company to be thought of as one which puts profits over the health and well-being of people, or even of other environmental components from trees to birds (particularly if they are endangered species), is to ensure that its actions will seriously be criticized. There is a growing realization, and it is broadly based, that mankind has an ethical responsibility of stewardship over the earth in which we dwell.¹¹

The anti-globalization movement, which is a growing force to be reckoned with, as attendees of international trade conferences well know, uses environmental issues as one of its major weapons.¹² Industrial practices that produce long-term damage to the physical environment are under increasingly hostile scrutiny. This is hardly surprising, given the nature and extent of the pollution that may be involved. Whether it is a burning crude oil from a ruptured Shell Oil pipeline near a southeastern Nigerian village, Canadian mining giant Placer Dome's record of spills at its international mines,¹³ or Bechtel Corporation's tripling of water prices in the company-controlled water system in Cochabamba, Bolivia¹⁴ there is no shortage of examples of questionable MNC behaviours.

It is worth repeating – environmental pollution and the appearance of “unfairly” exploiting local resources are areas where global companies are well advised to look to the long run and adopt standards equal to or tighter than those in the country whose standards are the most stringent. Companies like Phelps Dodge, a major global copper mining company, have done just that. Even in some countries that are prepared to waive already meagre environmental regulations to attract foreign investment, Phelps Dodge adheres to the highest standards established in its home country, the U.S.

Gifts and Gratuities

Problems involving the giving and receiving of gifts and gratuities confront most global managers. A notable example: in 1996, Malaysia's trade minister told an international conference that bribery and other forms of corruption were normal business practices in his country. Some of his listeners were perhaps surprised, but the minister was not inaccurate in his remarks, as anyone who has ever done business in Malaysia knows full well.

Of course using government bribes to gain business is illegal for American companies. The Foreign Corrupt Practices Act (FCPA) enjoins U.S. companies from bribing foreign government officials or officers of foreign political parties. In theory, the FCPA does not apply to foreign subsidiaries of U.S. firms, but in practice, U.S. parent companies become involved if

policies or money can be traced back to them. Similar rules are in place in the 29 other countries belonging to the OECD. Since 1997, prohibitions similar to those imposed by the FCPA have been in place in OECD countries with the added provision that executives in state-owned enterprises and members of national legislatures also are on the “you may not bribe” list.

The existence of these laws, unfortunately, has not led to total cessation of corrupt practices in the global market. There remain many grey areas, subject to interpretation, and providing sufficient “wobble room” for unethical operators to ply their trade. For example, when does one differentiate between a bribe and a gift, with no quid pro quo attached? In countries such as Saudi Arabia or China, where is the dividing line between the government and the private sector? Are joint venture partners covered by FCPA or OECD regulations?

It is well for leaders to assume that whether given or received, gifts always have strings attached – nothing is ever free. Many companies, faced with the perennial problem of bribes disguised as gifts, have adopted strict global policies on gifts and gratuities. Some, like Wal-Mart, bar their employees from accepting anything with a monetary value. Others, like General Motors, prohibit giving or receiving gifts of “significant” value – typically defined as being greater than \$10.

But abuses continue to occur. Recently, IBM dismissed three of its executives in Korea as a result of a bribery and bid-rigging scandal involving the sale of computers and services to Korean government agencies and businesses.¹⁵ Three other executives, from a joint venture between IBM and LG Electronics, were also fired. IBM noted that the individuals – part of a group of 48 persons indicted – had violated IBM’s “strict code of business conduct and insistence on the highest ethical standards”. Such activity, the company noted, “was neither approved nor condoned by IBM Korea”.

Why do such abuses continue to occur, despite persistent attempts by global companies to adopt stringent standards? The answer may lie in the old truism, “money talks”. In the IBM case mentioned above, for example, the company’s sales in Korea amounted to over US\$1.1 billion per year. Persons with low ethical standards see opportunities to make a quick profit and further their ambitions by adopting practices that they certainly know are against company rules.

In other cases, abuses occur out of a misguided sense of company loyalty. In too many instances, they are motivated not by direct personal gain but by a desire to put short-term business performance ahead of all other measures of company success. While no doubt the perpetrator benefits by looking good in the process, this may not be their primary goal. Rather, they seek to

help their companies overcome some obstacle or barrier. They *believe* they are doing the right thing for their companies, but they not only risk their careers, they also threaten the future survival of their companies.

Integrity in Internal Interactions

The integrity of global leaders is tested regularly by the ways they interact within the company. Such things as supervisory practices (do they yell at or berate employees), compensation schemes (do they pay employees what is perceived as a “fair” wage), and teamwork (do they share or steal the glory) are all opportunities for leaders to influence their reputations for integrity. Pressures to act ethically, or to create and maintain an ethical environment within the company, may be diminished if leaders believe their actions will not be known and scrutinized outside of the organization. Internal behaviours – whether positive or negative – may or may not be known by others outside of the company, though there often is some “leakage” to the outside world.

National cultures have a significant impact on the nature and extent of these interactions. The differences in national cultures may present obstacles as companies strive to create global norms for conduct. A few examples of the variability of ethical norms around the world will illustrate the difficulties involved. One study showed that men in Canada or Japan were less likely to discriminate against women than those in Hong Kong or Taiwan. Attitudes towards women in the Islamic world differ markedly from those in Western industrialized societies. Another study found that Asian managers were more likely to show concern for the employment security of their employees than those in some Western countries.¹⁶ Those and a host of other examples demonstrate clearly that ethical norms governing relationships between managers and employees differ significantly around the world.¹⁷

Workplace standards represent another area where global standards of conduct are of great importance. These vary from ensuring the safety of the work environment, to wage scales and worker benefits. Once again, short- and long-term benefits may differ dramatically. If a host country has no laws governing minimum wages, for example, a global company can almost always benefit, in the short run, by paying people the lowest possible wage. But in the long run, the company will face growing criticism, both at home and abroad. The products of sweatshop garment manufacturing concerns, for example, may be boycotted in developed countries and the operators may face worker unrest, quality-control problems and a host of other pressures in the countries where they operate. It is important to note that what

starts off as an apparent internal issue – wage scales, for example – may soon develop into an external problem affecting the company’s reputation worldwide.

How can global leaders respond effectively to broad national differences in acceptable norms? They do so by establishing standards for the treatment of employees throughout their worldwide organization. They feel a sense of obligation to all their employees, regardless of where those employees work. And they imbed those standards in the culture of their organization in every country in which they operate. The prime areas of concern requiring the development of global ethical standards within multinational companies include the following:

- worker safety;
- equality in hiring;
- equality of opportunity for job assignments and promotions;
- comparable compensation; and
- freedom of expression.

It is no easy task to develop and apply in a uniform manner global ethical standards in each of these areas. How do business leaders do so, given the differences in expectations around the world? Why even try to do so, given all the other pressures which must be faced on a daily basis? The question as to “why” is easy to answer. Leaders with integrity truly *care* about their employees and work to ensure that high standards are in place to ensure they are treated fairly and humanely. They worry about their employees and want to ensure that they are cared for and treated well. Take worker safety as an example. All offshore workers on one global company’s oil-drilling platforms in the South China Sea must wear safety goggles, even though this practice has not been the norm in China. And, in another example, a global steel company ensures that workers in Mexico wear hard hats, even though this is not the norm in that part of the world. In both cases – and countless more – companies can get away with lowering the bar. But they chose not to. Although they pay more in the short run for training and equipment, in the long term, the benefits are real, not only to shareholders, but also to employees and their families. Not only does the company’s reputation improve, but morale and productivity also rise.¹⁸

Comparable compensation in various countries is another often thorny problem for global leaders. Should all employees of the same grade and with the same responsibilities, regardless of where they work, be given the same wage? To do so would introduce more problems than it would solve. Fifty thousand U.S. dollars a year, a modest enough sum by American or

European standards, would be a king's ransom in many developing countries. A more workable solution is one used by the global leader who established the standard that his company would pay 25% above the prevailing local industry norms in all countries where the company operated.

In addition to standards of safety, compensation, and pensions, which must be developed for all employees, managers also have daily personal interactions with employees, including supervisors, peers, and subordinates. Some leaders discriminate between individuals on the basis of such irrelevant factors as gender, religion, race, skin, and colour. Egregious liberties may be taken with employees. Extreme examples include making sexual advances towards employees, using condescending language or a belittling tone, berating or bullying employees, or overt discrimination because of age, sex, or race. Such reprehensible behaviour may be made easier by perceived differences in power and authority between local employees and the "big bosses" from overseas. Headquarters' managers, ignorant of local societal norms, may mistakenly make matters worse by thinking erroneously that such behaviours are appropriate – indeed perhaps even expected.

Managers who act in these offensive and unacceptable ways towards employees jeopardize their ability to lead and bring disrespect, mingled perhaps with fear and loathing, upon themselves. Ultimately, the company itself will be blamed for permitting such behaviour to go unpunished. Managers who think no one will know delude themselves. Word that such-and-such a manager behaves in reprehensible ways towards employees sweeps across an organization, often by word of mouth. By contrast, effective leaders with integrity have standards of personal conduct that engender and demonstrate respect and sensitivity towards others, regardless of where they work.

FOUR DISTINGUISHING CHARACTERISTICS OF GLOBAL LEADERS WITH HIGH ETHICAL STANDARDS

As this discussion shows, global leaders often find themselves working in an environment where local laws and local business practice contradicts their own and their company's standards. Some will stand firm, but others will not. To understand the difference between the two, I joined with two colleagues to interview more than 100 senior global executives about these issues. Based on this research, we identified several characteristics of effective ethical leadership.

Effective Global Leaders Like and are Interested in People

Because they genuinely like people with backgrounds different from their own, effective global leaders can get close to people. They are trusted because they exhibit a high level of integrity and will not compromise on their personal standards. They talk openly and respectfully to employees who, in turn, feel free to discuss a broad variety of issues with them. They are proactive in heading off ethical problems within the company, or with customers, suppliers, government agencies, and others outside the country.

Effective global leaders go out of their way to help others and show them that they are people of worth and value. Many learn one or more foreign languages, thereby demonstrating respect for other cultures, improving their abilities to communicate, and increasing their understanding of the differing cultural contexts in which the company operates. They avoid cultural imperialism and stifle impulses to go on and on about how much better things are “back home”. They strive constantly to understand the context from which others make ethical decisions. This helps them to formulate, communicate, and enforce company standards.

Effective Global Leaders Constantly Probe Ethical Issues

It is imperative that leaders constantly ask tough questions about which behaviours are appropriate and which are not, within the context of the cultures in which the company operates. They do this not only to keep themselves informed, but also to reinforce the company’s ethical standards and promote meaningful dialogue. They invite comments on ethical issues by trusted colleagues and subordinates. They put strong and continuing pressures on their organization to consistently act in an ethical manner. They utilize a broad variety of procedures to facilitate discussion of ethical issues to develop and communicate company policies therein.

Effective leaders also look for opportunities to reward ethical behaviour in employees and customers. These are bestowed in public to reinforce the value of “doing the right thing”. Effective leaders also watch their employees for patterns of troubling behaviour and regularly ask probing questions about bidding procedures, expenses, gratuities, etc. Nothing is taken for granted.

A good place for global leaders to start this process is to regularly examine their own standards and performance. Where are they on the often-slippery slope of ethics? How do they appear to others? Not only is it

essential that they regularly assess their current status, but effective global leaders are also active in anticipating the kinds of ethical challenges they will face in the future. Where are they vulnerable? Where are their people open to corruption? Anticipating various scenarios can be helpful in uncovering areas of potential weakness.

*Effective Global Leaders are Committed to the Company's Standards
and Apply them Wherever they are*

Global leaders face the double challenge of understanding the company's standards *and* ensuring that they are applied universally. In many cases, the company's standards are incomplete or were designed for a different time and place. For example, standards of conduct appropriate at home may need to be modified as the company globalizes. In cases where no standards exist or where changes are needed, global leaders are out in front in establishing an in-depth dialogue with key stakeholders. They understand that this is not a time for communicating in couched nuances or hyperbole. Decisiveness and clarity are essential, not only for themselves but also for those whose job it is to negotiate with suppliers, provide caring customer service and to otherwise implement the company's strategy.

Once standards have been set, it requires great energy and commitment to ensure they are properly enforced *around the world*. Effective global leaders understand that standards are irrelevant unless communicated, explained, and enforced consistently. While this is sometimes an invasive process, global leaders are unapologetic in enforcing tough ethical standards. Training programs are also widely used to support company standards. Although the company's core values will change little over time, standards may need to be edited and reinforced and best practices shared.

What about the standards that leaders have a hard time supporting? What are global leaders to do? Happily this happens only in rare cases. After all, the leaders are for the most part products of the very companies they lead. For years, they have been shaped by its recognition and reward systems. Yet even for these people, personal standards sometimes collide with company's standards. What are leaders to do when they are not in a position to significantly impact what to them may be questionable company standards? Only two options are available: quit or change. Only the leader can determine the extent of the gap and the importance of the difference. But, at the end of the day, integrity requires a high measure of internal consistency between what the leader values and what the company's standards represent.

Effective Global Leaders Know when to “Hang Tough” and when to be Flexible on Ethical Issues

They can do so because their own fundamental values and standards are firmly in place. They know who they are and what is important to them. They will not bend on fundamental ethical standards, whether their own or those of the company. Those, they know, are written in stone. When others attempt to seduce or coerce them to abandon or bend their standards, they are able to stand firm.

At the same time, however, they have learned (in the parlance of today), not to “sweat the little things”. Some issues are inconsequential in substance and should be treated as such. In their zeal to be beyond reproach, like Caesar’s wife, some global companies have put in place policies on gifts and gratuities, which go beyond common sense and end up seeming not only foreign but patronizing and demeaning. In international contexts, for example, an expatriate manager’s inability (interpreted, you can be sure, as unwillingness) to pay for a customer’s dinner may be viewed not just with dismay but with disdain. Similarly, firing a lifetime garment worker for taking home a damaged shirt, may have the appearance of ethics, but in fact may be anything but ethical.

Global leaders must find the appropriate balance between what is fundamentally wrong in important ways, and cannot be condoned under any circumstances and what is a minor issue which can be left to the discretion of those involved. Determining this balance, which comes back to defining what values truly are fundamental and irrevocable, is one of the most difficult tasks global leaders must undertake.

To assist them in making their decisions, global leaders cannot operate effectively by embracing low ethical standards. Whatever standards they embrace must be at the highest level, globally, regardless of whether some national standards are lower.

The highest ethical standards put people first. Lying, stealing, bribery, abusing the environment, and so on, are issues primarily because people are involved. Global leaders recognize that people everywhere have inalienable rights which may not be abrogated with impunity. They do not condone or permit unethical behaviour that hurts people and they work hard to ensure people are treated humanely and respectfully. They refuse to deal with sleazy operators with elastic or non-existent ethical standards.

Finally, ethically acceptable standards are formulated, communicated, and enforced globally within the context of the company’s mission and purpose. If it is a mining company, for example, global ethical standards

involving environmental protection clearly are required. But if the company is in the management consulting business, global environmental standards may be of less importance and perhaps standards in this area appropriately can be left to the discretion of local managers to decide.

CONCLUSION

Integrity is essential for effective global leadership. When operating in a global context, leaders often face difficult and recurring pressures to modify their own personal ethics and change their organization's standards. If they do so, their ability to lead effectively in the long run will suffer, and their company will not prosper. Nothing can ruin a career faster – certainly not lapses in business judgment or laziness – than unethical behaviour.

All of us put our confidence in people we can trust, those whose character, ethics, and abilities are both predictable and of assured high quality. The Old English word “treowe” from which the word trust is derived, connotes faithfulness. Leaders whose ethics are elastic, who compromise their values for short-term gain, who accept bribes or offer them to others, who do not keep commitments, who play favourites, who unjustly discriminate against others on the spurious grounds of race, ethnicity, gender, etc., and who treat employees in abusive and disrespectful ways, do not act faithfully towards others and will not be trusted. Their external relationships with customers, suppliers, governments, and other companies will be undermined and their personal reputations will suffer. Employees will be demoralized and in conflict with each other. Managerial and technical resources will be lost as good employees, unwilling to be treated badly, seek employment elsewhere, and those who remain exhibit reduced productivity, commitment, and creativity.

Conversely, when leaders have integrity they are trusted. Their relationships, inside and outside the company, are richer and more satisfying to all concerned. What is more, employee loyalty and productivity increases, cynicism decreases, and the business, all else being equal, prospers.

Leaders can lead effectively only if their own personal standards are firmly and fully in place. The task of maintaining integrity, among all the seductions and ambiguities of life, is both difficult and never ending. But the extent to which it is accomplished is the measure of true leadership.

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THE MINDSET OF GLOBAL LEADERS: INQUISITIVENESS AND DUALITY[☆]

J. Stewart Black

ABSTRACT

In this paper, I describe two characteristics of successful global leaders: inquisitiveness and duality. First I show how being inquisitive helps global leaders learn quickly about unfamiliar environments. Inquisitive leaders create opportunities to learn and ask questions about what they see. Then I show how the dual focus of a global perspective helps leaders manage opportunities for global integration and requirements for local responsiveness.

Not long ago I had the opportunity to sit next to Craig Barrett, CEO of Intel, as he was returning from a trip throughout Asia. After he had recounted where he had been, who he had talked to, and what he had done, I understood why his international trips are often referred to as “death marches.” But international itineraries of this intense pace and breadth are not restricted to Craig Barrett. Listen to the itineraries of John Pepper

[☆]Part of this chapter is adapted from Black, Morrison, and Gregersen (1999). *Global Explorers: The Next Generation of Leaders*. New York: Routledge.

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(Chairman) or A.J. Lafley (CEO) of Procter & Gamble, J.W. Marriott, CEO of Marriott International, or any number of global leaders and sheer scope and breadth can exhaust you. We like to talk about the “borderless world” we live in, but just a few conversations with today’s global leaders makes it crystal clear that in fact this “borderless world” of ours is full of borders – figuratively and literally.

I say literally because there are actually more national borders to cross today than there were 20 years ago. For example in 1989, there were 235 countries and territories and in 2003 there were 272. Travel with any global leader for long and the number of time zones, languages, cultures, laws, business practices, political systems, and immigration lines you cross reinforce the myriad of borders that still exist and are unlikely to disappear any time soon.

You only have to talk to a few global leaders before you have a stack of stories and examples which illustrate that these various types of borders are not trivial irritations. In fact, every senior executive I have ever interviewed has more than one story of how some endeavor of their company was wrecked on the unseen, or at least unappreciated, shoals of international differences. These shipwrecks can be funny and easily corrected such as when Pepsi’s slogan “Come alive with the Pepsi generation,” first came out in Chinese as “Pepsi will bring your ancestors back from the dead,” or they can be much more intractable such as when Black and Decker’s pull strategy that rocketed their DeWalt brand of power tools to the top in the U.S. had to be all but abandoned in Asia, especially China.

So why are great global leaders not exhausted by the demands of integrating their global operations while keeping in mind the great number of boarders they must cross and the differences they reflect? Are their brains different from those of other managers? Based on my recent research, the short answer is, “yes.” In that research, my colleagues and I interviewed over 130 senior-line and human resource executives in 50 companies throughout Europe, North America, and Asia.¹ We asked these individuals to describe the characteristics of effective global leaders and how those characteristics are best developed. We then asked these managers to identify archetypal global leaders or executives in their companies who are recognized as global role models. We next interviewed those individuals asking them the same pair of questions.

Although we do not know if global leaders are neurologically wired differently, our research did show that they see and think about the world differently from those who would be overwhelmed and exhausted by the challenges of global business. Moreover, our research showed that this

unique global mindset is embodied in two key characteristics – inquisitiveness and duality.

INQUISITIVENESS: THE FUEL OF THE GLOBAL MIND

Inquisitiveness is the fuel that keeps global leaders marching ahead, spanning boundaries, and managing differences. Rather than being exhausted by all the differences in time zones, languages, laws, and politics, global leaders are intrigued by them. The differences and the learning opportunities they provide invigorate rather than exhaust successful global leaders.

Consider for a moment the following simple but powerful example. J. Bonner Ritchie has engaged in extensive international consulting for decades. A few years ago, Bonner was driving with his wife and children on a German autobahn. As he sped down the road, he suddenly realized that he was headed away from his intended destination. After looking carefully both ways, he pulled over on the left shoulder near a median strip of grass separating the highways. With everything clear, he drove onto the grass with the intention of making a “U turn” to go over to the other side of the freeway and head back the other way. Suddenly, the Volvo he was driving rolled over, leaving Bonner and his family suspended upside down in a hidden gully. (The gully was a product of a long-bladed mowing machine that cut the grass completely level between each side of the freeway.)

As the family dangled by their seatbelts, Bonner’s first question was not “Is everyone OK?” or “Is anyone hurt?” Instead, the first words to his family were “This is interesting. What can we learn from this?” When things go in unexpected directions (right or wrong) effective global leaders want to learn. Bonner is a great exemplar of this: *He lives to learn*. His attitude of constant, almost boundless inquiry, mirrors what you see again and again in exemplar global leaders around the world.

This mindset is illustrated in the following quote from A.L. Flood, chairman and CEO of the Canadian Imperial Bank of Commerce, “Global leaders acquire new knowledge and skills precisely because it is something done *by* rather than *to* them.”

From a general perspective this is all well and fine, but from a practical perspective, how does this higher level of inquisitiveness manifest itself? What can senior leaders look for to spot high-potential future global leaders? What can individuals look to improve in themselves today so they can be more effective global leaders tomorrow?

Seek Out the New vs. Cozy Up to the Comfortable

While inquisitiveness might seem like a vague or general characteristic and as a consequence be hard to see accurately in someone else or measure in oneself, quite the opposite is true. Inquisitiveness is easy to spot precisely because it shows up in so many concrete situations and specific behaviors. Pat Canavan from Motorola described high-potential global leaders this way:

They usually bring along something interesting to read when they travel, not so they can act smart at cocktail parties when they arrive, but because they want to be better able to perceive and understand the world around them wherever they are. If they are going to India for the first time and notice an Indian in the corporate cafeteria at headquarters, they sit down by them and ask questions. If they travel to Europe, they read the *International Herald Tribune* instead of *USA Today*. If they land in Hong Kong, they buy the *Hong Kong Standard*, not the *Asian Wall Street Journal*.

When in a new country, high-potential global leaders seek out new experiences. They want to try the local food, not the internationalized cuisine at some five-star hotel. They pick up the local newspaper; they talk to local residents. John Pepper of P&G is a great exemplar of this. Every time he visited a new country, he would first seek out and visit five local families to see how they wash their clothes, clean their houses, or looked after their children's hygiene before going to the office for meetings, budget reviews, and the like.

The easily seen contrast between high- and low-potential global leaders was brought home to another colleague, Allen Morrison, and myself recently when we traveled to China to facilitate a global leadership program for a client. The company, a diversified U.S. multinational company, sent 20 senior executives on the nearly two-week excursion. The goal was to orient these senior managers to emerging markets. Many in the group had neither lived abroad nor done much international traveling. The most remarkable part of the entire experience for us was the different attitudes reflected by the people in our group.

To our chagrin, most of these executives seemed quite uninterested in learning anything about China beyond the Great Wall and the Forbidden City. They were constantly on the phone to offices back in the U.S. They spent evenings eating Western food in a Western hotel, and topped the day off with CNN International. These managers acted as if the China trip was simply an irritation; it interfered with what they believed were more important responsibilities. Even though they were in China physically, their minds were back home. They acted like tourists in search of what they already knew, matching quite well Mary Catherine Bateson's description of

people who, given a choice, “choose not to learn and therefore not to change except in superficial ways.”²

In stark contrast, other executives created a much different experience for themselves in China. They actively sought out local street markets as well as unique cultural sites off the tourist trail. They initiated, set up, and followed through on appointments with potential customers and suppliers. It seemed as though they had one primary goal on the trip: to stay as far away as possible from the hotel. For these highly inquisitive executives, the relatively brief time they had in which to experience China firsthand was of far more value than any task they might have left undone back home.

As paradoxical as it may seem, great *global* leaders are inquisitive about *local* conditions. This is because they know that terrain that looks smooth from 30,000 feet, is full of dips and bumps at ground level; and they well understand that global strategies conceived at cruise altitude mean little to nothing if they cannot gain traction where the rubber meets the road.

Low-potential global leaders are the exact opposite. Rather than seek out the new, they cozy up to the comfortable, the known. Like a moth to a flame, the glow of the known hotel, the familiar restaurant, the comfortable office draws them in with irresistible force. They seek out people they know rather than strike up conversations with those they do not. They ride in a corporate cocoon, surrounded by assistants, translators, and others who keep the local culture, like an unruly crowd, at a safe distance.

Traveler vs. Tourist

As second concrete differentiator of effective global leaders is what they do with the new experiences they seek out. This difference is probably best illustrated with a simple comparison between a traveler and a tourist. Paul Bowles may have said it best when he stated, “an important difference between a tourist and traveler is that the former accepts his own civilization without question; not so the traveler, who compares it with the others, and rejects those elements he finds not to his liking.”³ Whether working at corporate headquarters or visiting far-flung subsidiary operations, global leaders not only seek out the new, but they compare and contrast new data with the old information stored inside their heads. They are careful not to simply categorize anything different as automatically inferior. They are more than ready to replace what is known, be it a technology, long-lived business process, or assumptions about how to manage, with new and better ways. By engaging in this process of constant compare-and-contrast, they gain

critical insights needed to transform the nature of a global strategy or how it is implemented.

At Kraft Foods, executives contrasted and compared the distribution systems between their home market and that in China. By U.S. standards the distribution system in China was fragmented, slow, and inefficient. However, rather than assume that what was different was inferior, they instead adjusted their view and in Beijing decided to build a bicycle-based delivery system for ice cream products. What at first may seem like a giant step backward, was a perfect fit for the situation. The highly fragmented retail network in Beijing meant that each store could only carry a few cartons of ice cream – no need for big trucks and big deliveries. Bicycles could carry the right amount for these small and fragmented deliveries. The crowded and often narrow streets on which these stores were located meant that big trucks went nowhere fast and either delivered melted ice cream or used up expensive fuel to run refrigeration systems as the trucks sat in snarled traffic. A little dry ice and some nimble bikes, on the other hand, allowed ice cream to be delivered quickly, cheaply, and without melting.

Question vs. Confirm

In addition to contrasts and comparisons in an effort to gain new insights, effective global leaders are quick to question and slow to confirm. People charged with global responsibilities have many years of managerial experience. As a consequence, they are not blank slates upon which a “global mindset” can be effortlessly written. All leaders have preconceived notions about effective distribution approaches, business models, marketing tactics, management practices, and the like, all built on past experience. Successful global leaders are no different. What sets them apart is that when faced with different ways of doing business, their first inclination is to question what they know rather than confirm what they believe.

Sadly many school systems throughout the world take an approach to learning that does not foster this characteristic. In fact, many do just the opposite. For example, studies show that children in the United States discover at a young age how *not* to learn in school. It becomes clear that giving the “right” answers – meaning the answers that the teacher wants to hear – is rewarded far more than asking the best questions. Schools are more often than not “modeled after factories, putting children through a production line designed to turn out a uniform product, not original thinkers” (Bateson, 1994, p. 166). When these children reach adulthood and begin their careers,

they face a hauntingly similar dilemma with managers who too frequently seek self-confirming information – “give me the facts that confirm what I already know is true.”

Unsuccessful leaders with global responsibilities want to confirm what they already believe and they set up the situation to lead them directly to their predetermined destination. They are anything but adventurers when trekking across the global marketplace.

In the early 1980s, UPS slammed right into this dilemma when it entered the German market. With a senior management team that was entirely made up of Americans with no international experience, UPS faced a real challenge getting beyond its highly domestic mindset. Because UPS was basically an unknown brand in Germany, local country managers painted a multicolored globe and flags on the brown delivery trucks to communicate the “global reach of UPS shipping.” What seemed like a savvy local marketing tactic was quickly quashed by corporate headquarters and the trucks were dutifully repainted to conform to the worldwide standard, plain brown. The senior executives in the United States had no real curiosity about the local situation in Germany. As one German national executive who helped with the operation’s start-up reflected, “How do you change mindsets when everyone at headquarters is American? How can a company really go global without changing worldviews?” It took years of below-par country performance before executives asked enough questions and “really listened to what local managers were trying to tell them from Germany.” Over time, these difficult experiences in Germany as well as other countries have contributed to a major mind shift back at UPS headquarters. In fact, one senior executive confided that, “the genie is out of the bottle and will never go back in” – that genie being a major strategic thrust to push decision-making authority down in the organization. This has resulted in a global strategy of more local flexibility.

Concluding Thoughts on Inquisitiveness

Effective global leaders are very aware that if they are not constantly curious and inquisitive, mental maps will become entrenched and constrict their worldview so tightly that they will reject any change in the world that does not fit their existing mental map.

To illustrate the power of mental maps, consider this historical example. For centuries, Europeans were entranced by legends of far-distant islands endowed with unimaginable wealth and resources. In 1541, Hernán Cortés

and a group of adventurers set sail from Spain to discover such an island. Cortés sailed across the Atlantic, portaged through Mexico, and then set sail again up the Strait of California. Eventually, his provisions low, his crew close to mutiny, he was forced to an unhappy decision: to turn back, never realizing that the land to the west was not an island (see Fig. 1) but simply what we refer to today as the Baja Peninsula.

Shortly after Cortés's discovery, another expedition was sent to confirm the find. This one traveled far up along the Pacific coast, past present-day San Francisco, but ran low on supplies, and had a crew stricken with scurvy. Seeing a large inlet, they concluded it was really a strait that separated the northern part of the island of California from the rest of the continent. This cartographic myth persisted throughout Europe for over 200 years – in spite of overwhelming evidence to the contrary collected by numerous other explorers – until a royal proclamation from Spain finally declared that California was not an island.

For mapmakers and managers alike, paradigms are not easy to change. Successful global leaders are acutely aware of this. In fact, one leader pointed to a quote made 500 years ago whose ever-present truth speaks to the perpetual challenge of remaining curious and open. The quote he pointed to was by Machiavelli:

There is nothing more difficult to carry out or more doubtful of success than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders by all those who can profit by the new order. This lukewarmness arises from the incredulity of mankind who do not truly believe in anything new until they have had experience with it.

Now lest we think that our modern sophistication, computer systems, and education inoculate us from such mistakes, consider the not so ancient case of IKEA, a global powerhouse in retail furniture. In the mid-1980s, executives decided to expand from IKEA's base in continental Europe across the Atlantic to North America. All went well except for beds and bedding.

With modern computer systems and inventory tracking software, executives in Sweden could see that beds and bedding were not moving in its North American stores. What was wrong? IKEA's customer value proposition of good-quality furniture at low prices worked around the world, and was working in North America, except for beds and bedding. There was nothing wrong with the value proposition, the problem was IKEA was shipping *metric*-sized beds and bedding to its North American stores. While metric is king in most parts of the world, in North America when it comes to beds and bedding, king is king, queen is king, twin is king. North Americans



Fig. 1. Map of the Island of California (ca. 1656).

just would not change to metric-sized beds, even though a two-meter bed is as long as most king-sized beds.

How long did IKEA's senior managers continue to insist that "California is an island" that "metric is king"? Despite local and regional U.S. managers' constant attempts to convince headquarters otherwise, their bosses in Sweden held to this position for more than two years. Finally, the bursting warehouses won, and metric-sized bedding was reluctantly discontinued in the North American market.

Successful global leaders know that they are only one step away from making a similar mistake. This is why they foster their own inquisitiveness and encourage it in others. While there is no guarantee that they will not be blinded by what they already see, they know that inquisitiveness is the best insurance.

DUALITY: THE ESSENCE OF THE GLOBAL PERSPECTIVE

"Think global, act local." If I had a dollar for every time I have heard this phrase over the last 20 years, I had be retired. Nevertheless, although it is trite, it is still true. In fact, it captures the essence of what is challenging about global leadership. After all, if the world were similar and truly borderless, there would be no more challenge in global leadership than domestic leadership; it would simply be universal leadership. Likewise, if the world were made up of places that were completely different, there would be no need to think about global strategies, coordinated supply chains, or integrated customer relationship management. Everything would be local. The fact that most companies face both pressures and opportunities for global integration and pressures and requirements for local responsiveness is the reason successful global leaders are so rare.

The notion of duality suggests the simultaneous existence of two contradictory conditions, for example, sweet *and* sour. The essence of duality exists when two opposing conditions coexist and their continued coexistence is seen as being *good*. For example, if Asian cuisine allowed for sauce that was *only* sweet or *only* sour, the unique savor of sweet *and* sour could not be experienced. Such dualities can benefit the business world as well, but only when we gain a perspective that allows for opposites to simultaneously occur and that relishes their coexistence.

This duality is reflected at International Flowers and Fragrances (IFF), a company with over \$1.5 billion in annual worldwide sales. It is the leading

creator and manufacturer of flavors and fragrances for use as ingredients or elements in a wide variety of consumer products. Eric Campbell, corporate vice president of human resources, put it this way, “The best local and global leaders in our company are curious enough to pay attention to the extremely subtle nuances of any locale – whether in New York or Jakarta – as well as smart enough to notice consumer similarities around the world.”

As already mentioned, the reality is that we live in a borderless world full of borders. When crossing national, cultural, and language boundaries, leaders confront a fundamental challenge, as pointed out by a Wal-Mart executive: “One of the biggest obstacles we face when traversing country markets is learning to get the right mix at the right time, learning and relearning what each area really wants.” Global leaders at Wal-Mart, like those in all globally competitive firms, learn to thrive on duality instead of working to destroy it. This perspective lets them master a myriad of border crossings instead of being overwhelmed by them. This perspective balances global with local and action with inaction.

Again while all this may sound good from a theoretical perspective, how can one put it into practice? As in the case of inquisitiveness, how can companies spot individuals with high potential for dealing with duality and how can individuals see in themselves the extent to which this is a strength or a weakness?

Embracing vs. Avoiding Ambiguity

The simultaneous duality of global and local pressures and opportunities is mother’s milk for ambiguity. Ambiguity in a global business world is inevitable. Let me say that again: ambiguity in a global business world is inevitable. Consequently, an important sign of a global leader is whether the person embraces or avoids ambiguity. While not discrediting the benefits of personality tests, you do not need a prospective leader to take one in order to get a good idea of his or her propensity toward ambiguity. It comes out naturally and in concrete but simple ways because people either loathe it or like it.

Those that loathe ambiguity are easy to recognize. They are the ones who complain and blame. They complain when things are not crystal clear and moan about the ambiguity they face. Close on the heels of this is the finger of blame that they point at someone (usually higher up the chain of command) for the woes that this ambiguity brings into their life. For example, many organizations have increased the complexity of their structures to deal

with the complexity they face in the external environment. As a consequence, reporting relationships are not singular or clear. As Simon Nash, a British national and director of management development at Kraft General Foods International, put it “The structure here will always be ambiguous, and our best leaders flourish in unstructured environments.”

In contrast, those that embrace ambiguity get a wry little smile on their face when confronted by it. They like it. They do not complain but rather relish the opportunity that ambiguity provides. From their perspective, the lack of clarity means that more possibilities exist; more avenues to success are open. This open road coupled with the fuel of inquisitiveness leads successful global leaders to embrace ambiguity as an opportunity to grow, learn, create, discover, build, reinvent, and revitalize.

Consider one global leader who was recently responsible for a greenfield site in Vietnam only to discover that the site was truly a greenfield – a flooded rice paddy and nothing more. What he encountered was not what he was told to expect. There was no standard operating procedure for getting the water off the land, or contacting government officials for approval of the land use change, or how long it would take to compact the soil so the concrete foundation and floor of the new factory would not crack and crumble. The ambiguity of the situation was nearly total and so in the mind of this leader the road to the solution was wide open. Consequently, in collaboration with a few, key local employees, he learned how to effectively petition the proper government officials and negotiate for assistance in clearing the land. Furthermore, he built up substantial influence and contacts within the company that enabled him to mobilize its resources to help with the task. Working with his local team, the local government, and his company’s regional headquarters, he discovered a way to clear the land, put the factory in place, and stay basically on schedule. And perhaps more important than all these actions was the smile that was on his face.

When faced with high ambiguity, high-potential global leaders have fun; low-potential leaders have anxiety attacks.

Acting vs. Freezing is the Face of Ambiguity

As the previous example illustrates, when faced with ambiguity, high-potential global leaders embrace it and have a bias for action. Those who loathe uncertainty are happy to gather more data and to analyze it from every possible angle. The problem in a global world is while you wait to be 100% certain, a competitor that you might not even be aware of flies past

you. We only need to remember that in 1992, Nokia got most of its revenue from products such as fishing boots and Motorola held nearly 40% of the worldwide mobile phone market to recognize how easily this can happen. In 10 short years, Nokia went from not being in the top 100 global brands to being number five and took nearly 40% of the world mobile phone market, while Motorola sank to a nearly single-digit market share. Most amazing of all is how much money Nokia made in the process. While Nokia's market share was 40%, its profit share was 80% – meaning that while four out of ten mobile phones sold were Nokia phones, eight out of ten dollars in profit made were Nokia profits.

Before Lou Gerstner arrived at IBM, managers there had a history of avoiding uncertainty. While the company produced some of the best technology in the industry, IBM's corporate culture in the early 1990s emphasized getting the product "right" before going to market. Every line of code was checked and rechecked, every piece of hardware had to perform *perfectly*. This policy minimized the risk for employees and conformed with IBM's "product out" strategy. As technological change accelerated and customer choices increased, however, IBM's approach did not work very well.

Delayed by the need to "get things right," IBM's newest products often arrived on the market months late and over budget. When the products finally arrived, many customers had already moved past what IBM was trying to offer as cutting-edge technology. According to Tom Bouchard, former senior vice president for human resources at IBM, "We no longer had the luxury of getting everything 'just right.' Once we embraced a 'customer in' strategy, the qualities for effective leadership changed."

Beginning in 1995, executives at IBM actively promoted a new 80/20 rule. They would go to market with the product 80% "right" and 20% still unproven. The features they focused on getting right were those customers most cared about. The result? Sales increased, enormous amounts of money were saved, and most important, customers were happier. Global leaders at IBM learned to quickly separate "the figure from the background." Today, executives at IBM do not wait for the entire picture to come into focus before moving ahead. They know that speed to market strikes at the heart of competitive success. Some at IBM have even considered switching the 80/20 rule to a 20/80 rule for even greater speed in the rapidly changing global markets. Under such a rule, managers must identify the critical 20% of all customer needs that, if addressed well, would satisfy 80% of the customers. By quickly identifying this critical 20%, they generate a quantum leap in overall speed to market.

Diving Below the Surface vs. Surface Surfing in the Face of Duality

As leaders face competing pressures of global integration and local responsiveness, enormous conflicts often arise. Consider the experience of Colgate-Palmolive as described by Brian Smith, former director of global HR Strategy:

The country manager used to be king of the hill in our company. They would come up with a nifty project and get approval to launch it. You'd get a German brand and a French brand and maybe it would translate across borders. It would take a great deal of time and create enormous redundancy. That approach is now over. Today, we have global bundles. While the big red, standard anti-cavity Colgate used to look 60 different ways around the world, now you can walk into any store in any market in any part of the world and Colgate is Colgate. It's a truly global brand.

How did Colgate-Palmolive move to this global brand position? Through the constant resolution of conflicts that occurred between country and global brand managers about packaging, pricing, and production sites. To negotiate these conflicts successfully, managers did several things. First, country managers were willing to bend on strongly held views that product packaging must always contain their personal, local touch. Second, global brand managers were willing to change their perspective, valuing local country input as they implemented global packaging, pricing, and production procedures. Third, all parties worked for creative solutions to the conflicts rather than seeking the least common denominator compromise. These actions resulted in decisions on product packaging and other matters that now work very well throughout the world.

Some managers mistakenly think that an integrated global strategy or company requires "sameness." For example, a team of executives at the headquarters of a major U.S. software firm recently insisted that a holiday closure be held the same week in every part of the world. However, one company executive with significant international experience recognized that the week designated as a worldwide "holiday" had absolutely no meaning to Asian employees in Asian countries. So he proposed an alternative: Let Asian countries take a week off during one of their local holidays, such as the Chinese New Year. Unfortunately, the executives at headquarters insisted that the holiday be held on the same week worldwide to "ensure consistency throughout the company." Standardization works fine if a product, service, or policy hits on some thread of commonality across the globe. These commonalities do exist. Without them integrated global strategies and organizations or global leaders to guide them would not be

necessary. However, these commonalities tend to be elusive and hidden. Perhaps this is why successful global leaders are not “a dime a dozen.”

Successful global leaders dive below the surface to determine what should be globally integrated and what should be locally adapted. When optimizing activities – whether at the local, regional, or global level – they maximize efficiencies and serve customers best. As one senior finance executive from a major consumer products firm reasoned,

Global leaders must have the capability to see an idea, a process, a technology, an approach to business, and be willing to not only reapply it, but to modify it to the degree and only to the degree that it is *absolutely* necessary for its success.

Indeed, F. Scott Fitzgerald observed that “the test of a first rate intelligence is the ability to hold two simultaneous ideas in mind and still keep the ability to function.” Global leaders do just that, while global followers either freeze up in these decision situations, like deer struck dumb in the night by automobile headlights, or simply give in to one set of pressures while ignoring others.

Exemplar Global Leader: Stephen B. Burke

As of this writing, Steve Burke is the number 2 executive at Comcast, arguably the most formidable content provider and deliverer of programming via cable in North America. I say as of this writing because Burke is on the CEO candidate short-list of virtually every senior headhunter in North America. In fact, when he worked at Disney prior to his move to Comcast, he was one of a few names that circulated as a possible successor to CEO, Michael Eisner. Should Eisner retire or leave the company for other reasons, Burke may yet take on the job that some saw him headed toward several years ago. Whether someone can lure Burke away is anyone’s guess, but the fact that people speculate is testimony to Burke’s capabilities as a global leader.

Among the many evidences of his capabilities is the one in which I first came to know him while working on a project with a long-time colleague of mine, Hal Gregersen. Right in the middle of building Disney retail stores from an idea to a \$500 million business that was headed to a \$1 billion business, Michael Eisner asked Burke to take the position of vice-president in charge of operations and marketing at the EuroDisney theme park. Just a few days after the request, the official announcement was made on a Monday morning in October 1992, and Steve was on a plane for Paris that very afternoon.

When Burke (at age 36) was asked to help turn around EuroDisney (or as some called it Euro Disaster), it was beset with problems:

- Attendance was off 10% from projections.
- Per person spending in the park was less than half that at Disney's theme park in Japan.
- Hotel occupancy rates were 37% vs. 92% at Disney's U.S. properties.
- Labor costs were significantly higher than in the United States because of labor contracts that made it impossible to dramatically increase and decrease staff during peak and off seasons.
- Negative publicity abounded, with newspaper headlines like "Disney is Cultural Chernobyl."
- The French government's appropriation of farmland for the theme park had led to continuing protests from French farmers.
- Workers resisted the Disney management style and dress code.
- Construction cost overruns were nearly \$2 billion.

It was expected that the park would post upwards of \$300 million in net losses for the first year of operations, even with total attendance at 10 million guests. Many executives within Disney were beginning to feel that it would be years before the park became profitable.

Despite this bleak picture, CEO Michael Eisner remained optimistic about the venture: "Instant hits are things that go away quickly, and things that grow slowly and are part of the culture are what we look for. What we created in France is the biggest private investment in a foreign country by an American company ever. And it's gonna pay off."⁴ Steve's job was to work closely with Philippe Bourguignon, EuroDisney's president and a French national, to make sure Eisner would be proven right. Things were a bit chaotic at first. Steve did not speak any French and he had never met Phillippe Bourguignon, who was soon to become CEO and chairman of the board of the European theme park. Steve was not at all sure how he and Phillippe would get along. Furthermore, his predecessor had left France to return to the United States three days after Steve arrived, providing no transition period. All this meant that Steve had to jump directly into a very uncertain situation.

Some days it was difficult for Steve to keep track of everything he was doing; many Disney expatriates were preparing to go back to the States, leaving the office in a constant state of change and turmoil. As more expatriates left, Steve took on additional responsibilities, including human resources and support, hotels, and day-to-day park activities. Although Steve might have liked more time to adjust to the new office environment,

the fact remained that he was sent to EuroDisney to maintain the Disney way in Paris *and* bring about changes to the troubled park. Steve quickly realized that this was not going to be an easy task.

Touring the park on his first day, he thought to himself, “This is just *not* how Disney does it!” While the rides and cartoon characters were in place, dirty dishes and trays abounded on tables in the restaurants, and garbage bins were overflowing in the restrooms and walkways. Even areas that he had just seen the maintenance crew sweep up still had pieces of litter strewn about.

After reviewing some of the reports he had requested, Steve was particularly concerned about park guest attendance figures, especially among the French. Hotel occupancy rates were alarmingly low, and guests were not spending much money in the restaurants or souvenir shops. With revenues much lower than projected, Steve recognized that labor costs were a serious concern. This problem was augmented by the French government’s resistance to allowing Disney to use part-time or seasonal workers as the company was accustomed to doing in its U.S. and Japanese theme parks. In addition to establishing a culture and attitude in the park more faithful to Disney traditions, Steve needed to find ways to attract more French visitors and persuade the government to allow seasonal employment.

Steve also faced the task of devising and implementing strategic changes that would ensure that the park could grow and stay healthy. The first significant change was renaming the park. Without a name change, Steve felt that nobody would really give the park a “fresh start.” The very name “EuroDisney” had become identified with the prevailing view of the theme park as an invasive force whose only mission was to make a lot of money for the Walt Disney Company. Further, “Euro” sounded more like a chemical mix of artificial ingredients than an attractive tourist destination. The name Disneyland, in contrast, implied some place magical. In addition, Steve felt that while many Europeans outside France might harbor a dislike for the country and its people, everyone loved Paris. “With Disneyland you get a magical place; with Paris you say where it is, and everybody loves Paris. And by including ‘Paris’ in the name, the French will be more receptive to the park. Also, by definition, we can tie the park to the city in our marketing and advertising campaigns. We don’t have to have a big press release. We’ll just change the name, make our logo bigger and bolder, use different colors. We’ll change the merchandise over slowly; this doesn’t all have to be overnight. But I think the end results will be very positive for us.” And with that, the name was localized to Disneyland Paris.

After changing the park’s name, Steve continued to struggle with a central challenge: How to put the park in the black financially, and at the same time

keeping what should be universally the same at all Disney parks and yet localizing those things that were not core. In the end, Steve made a number of key changes, some of which reinforced the traditional Disney image and approach, others of which changed things that many back at headquarters thought were too sacred even to touch:

Keeping Disney Disney

- improved hiring to focus on outgoing, friendly Disney cast members;
- increased training to emphasize and teach friendly service and Disney-level cleanliness;
- introduced seasonal pricing for entry to the park;
- used traditional Disney characters throughout the park.

Adapting Disney to France

- removed traditional ban on alcohol in the theme parks;
- lowered customary Disney premium prices by 20–30% on admission, merchandise, and food;
- relaxed Disney's normal hierarchical managerial style and encouraged more individual initiative;
- cut managerial staff by almost 1000;
- changed the name to Disneyland Paris;
- allowed wine to be served at restaurants inside the park.

These and other changes helped make a positive impact on the park's financial results. Attendance figures rose approximately 17% in one year. Hotel occupancy rates went up. Visitors were spending more in the park. For the third quarter of the 1995 fiscal year, the park posted its first profits ever. Space Mountain was introduced as the park's fortieth attraction, and it was a big hit. The ride was billed as the fastest thrill ride in any Disney theme park anywhere in the world. By 1997, the press were saying mostly positive things about the park, quite a shift from when the park first opened.

Throughout the entire experience at EuroDisney, Steve kept perspective – not only managing well in the face of high uncertainty, but balancing constant tensions between headquarters in Burbank and executives in Paris. Steve balanced tensions between Disney management and local employees. He balanced financial tensions between banks, creditors, the parent company, and EuroDisney's own interests. He balanced tensions between employee practices that had been standard worldwide and those which were most appropriate for continental Europe. He balanced tensions between Disney's traditional idea of clean and safe fun in theme parks without alcoholic beverages with the French need for a theme park that could serve wine and still provide clean and safe fun. He balanced the tensions between

Disney's typical global approach to its brand name as a premium price product with the need to reduce prices to attract local customers. He balanced the park's precarious cash position with the need to build more rides – such as Space Mountain, which cost \$120 million – to continue attracting visitors.

Steve grappled with these tensions for several years (as well as numerous others we have not mentioned), always maintaining the required perspective to manage them well. Eventually he returned to a new position in the United States. With Disney's acquisition of ABC/Capital Cities, a whole new world opened up in the company, and Steve became president of broadcasting at ABC, ready to face yet another turnaround situation.

CONCLUSION

Whether they are aware of it or not, superb global leaders like Steve Burke have the perspective and experience to see what the designers of the F-16 fighter plane knew all along: *high performance requires the creation and support of dynamic tension, not its elimination*. While the F-16 is one of the world's most agile fighter jets, it is an inherently unstable plane. To maximize maneuverability in sharp turns, the plane is designed to create opposing yaw and pitch forces. Without proper management of these aerodynamic forces, the plane would crash and burn. To handle the incredibly complex set of tensions, an onboard computer makes nearly a hundred calculations and small adjustments per second. It is the continued existence of these contradictory forces *and* their effective management that contributes directly to the F-16 fighter jet's stellar maneuvering capabilities. Attempting to eliminate tensions would destroy exactly what makes the F-16 so effective.

Like those who design and fly the world's most sophisticated fighter planes, effective global leaders know that the dynamic tensions they encounter in international markets must be carefully managed. They recognize that tensions are absolutely necessary for high performance and that their focus on constant learning and real-time adjustment are the keys to outmaneuvering the competition in global market dogfights. They embrace dualities by looking at a situation, suspending prior beliefs about it, creating a fresh perspective on the issue at hand, and – most important – acting on their insights. They embrace ambiguity and happily seek out new solutions; then they make choices based on these insights and act in spite of significant uncertainties.

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BUILDING GLOBAL COMPETITIVENESS IN A TURBULENT ENVIRONMENT: ACER'S JOURNEY OF TRANSFORMATION

Stan Shih, J. T. Wang and Arthur Yeung

ABSTRACT

While all global leaders aspire to build a winning global company – one that is competitive, profitable, and sustainable – the business strategies and organizational models they pursue vary substantially, depending on the external and internal business environments they face. In this article, we outline the journey of Acer's growth and transformation from the founding of the company in 1976 to the end of 2004. Throughout this period, the Acer Group had grown tremendously and been transformed radically to adapt to the changing competitive dynamics of the global PC industry. We describe the two major transformations in strategy and organization implemented by Acer's global leadership teams to maintain and enhance the global competitiveness of Acer Inc. in a turbulent industry where many players had disappeared in the last two decades.

Based on our reflections on Acer's journey, we also highlight five key roles that global leaders play in building the sustained competitiveness of their companies. We believe that leaders must (1) develop innovative

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business models to leverage global resources for profitable global growth; (2) be sensitive to external environmental trends and internal bottlenecks and act on them proactively; (3) communicate persuasively with key stakeholders to gain commitment to the change; (4) reverse the negative vicious cycle of low performance into a positive virtuous cycle of growth; (5) be positive and optimistic in the midst of adversity so that opportunities for turnaround and eventual growth can be found. In industries that are fast-changing and highly competitive, we believe that it is more imperative than ever for global leaders to demonstrate such leadership roles and capabilities in order to navigate their companies through the turbulent times.

The ultimate aspiration of many global leaders around the world is strikingly similar: to build a winning global company – one that is competitive, profitable, and sustainable. However, to realize such aspiration is very challenging for companies operating in tough industries like personal computers, where continual price erosion of more than 10% every year, exponential technological development in semiconductors, internet, and digitalization, excess capacity due to the emerging of both global and local competitors, and intensified global competition from fewer but stronger competitors make it difficult to succeed. The challenges are even greater for companies like Acer that operate out of a very small home market (Taiwan accounts for less than 1% of worldwide PC market) with limited financial resources and scarce global management talent.

In this article we outline the story of how Acer Inc., the #4 notebook computer firm and #5 PC firm in worldwide market in 2004 with global sales close to US\$7 billion, shaped and continues to re-shape its business strategy and organizational operations to cope with a rapidly changing global business environments and evolving internal organizational dynamics. Since its inception in 1976, Acer Inc. has gone through two massive transformations, one in the early 1990s, which emphasized a high degree of decentralization, entrepreneurship, and performance accountability within the Acer Group companies, and another in the early 2000s, which promoted global integration, centralization, and value-chain partnerships with companies outside of the Acer Group. Fig. 1 highlights the key milestones of Acer history and the focus of these two major transformations of Acer Inc.

The results of both transformations proved to be successful, showing that very different strategies and organizations may be needed to steer the company toward continued success. Global leaders must be willing to abandon strategies and organizations that have been successful, but no longer work,

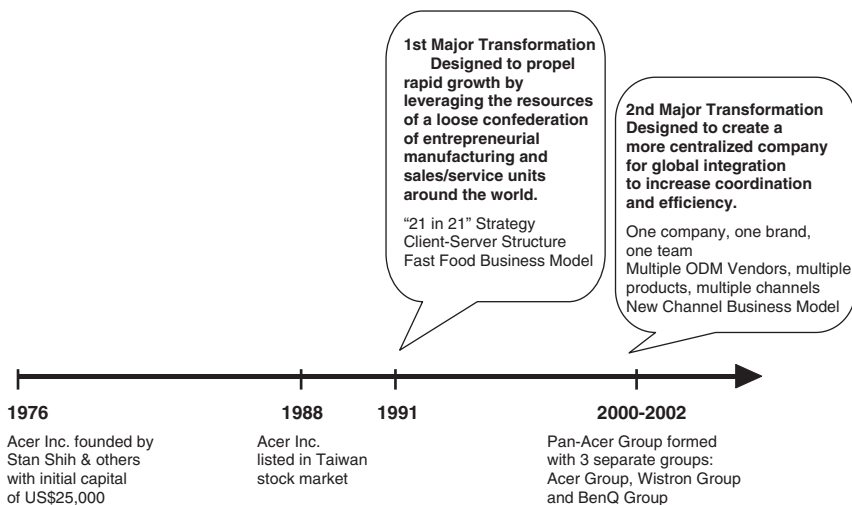


Fig. 1. Major Milestones of Acer and Focus of Two Transformations.

and adopt new ones that fit the changing situation. By using Acer as a case study, this article reveals how global leaders can leverage and integrate global resources in different ways to reinvigorate corporate competitiveness and to masterfully lead their corporations through the inevitable waves of tumultuous change.

THE EARLY DAYS: ACER INC., 1976–1990

Acer Inc. (originally called Multitech) was founded in Taiwan by Stan Shih and four other co-founders in 1976 with an initial capital investment of US\$25,000. Positioned to promote the application of emerging microprocessor technology, Acer engaged in all kinds of businesses in its early years, ranging from providing engineering and product design advice to local companies, importing electronic components, offering technological training courses, and publishing trade journals (Bartlett, 1998). Throughout the years, Acer gradually built its capabilities around several core businesses, primarily focusing on the OEM business of other computer firms, sales of Acer brand products, and the manufacturing of computer peripherals and other IT products.

Owing to its small home market in Taiwan, which accounts for less than 1% of the worldwide PC market, Acer Inc. started to globalize in the

mid-1980s. However, the company was suffering from several major obstacles to global expansion, including constrained financial resources, limited global talent, and the negative image of “made in Taiwan” computers. To overcome these constraints, initial steps of globalization included mergers and acquisition, establishment of overseas operations, and working with channel partners overseas. However, in the early 1990s, a price war initiated by competitors like Compaq and Packard Bell, coupled with Acer’s over-investment through mergers and acquisitions, resulted in a major decline in sales and profit at Acer. To battle back, Acer initially focused on downsizing non-profitable operations, laying-off low performers, and tightening internal cost control. However, these actions could only control costs and reduce their loss. They would not put the company onto a growth trajectory.

EARLY 1990s: THE FIRST TRANSFORMATION TO BUILD GLOBAL COMPETITIVENESS THROUGH LOCAL PARTNERSHIP AND ENTREPRENEURSHIP

In view of limited internal resources, the rapidly growing, but highly competitive PC market, and the rapid changes in the technology and price of key components like microprocessors, Stan Shih realized that he must use his expanded operations more effectively. He eventually reversed Acer’s downward spiral to create a new growth momentum by implementing three innovative business and organizational strategies: his “21 in 21” strategies, a client-server organization structure, and the fast-food business model (Bartlett, 1998; Matthews & Snow, 1998; Shih, 1996).

“21 in 21” Strategies

This phrase summarized Shih’s desire to create a federation of 21 publicly listed companies, each with significant local ownership, by the 21st century. This strategy would enable Acer to grow quickly by increasing its presence rapidly in Taiwan and in other parts of the world like Mexico and Singapore. Creating a loose federation would allow Acer to grow by leveraging the resources of these far-flung companies. Acer could leverage the capital, talent, business knowledge, and distribution channels of its local partners. Creating a decentralized confederation of companies, where each one has

independent profit and loss responsibility, also ensured that each business unit would have strong entrepreneurial drive to grow revenue and reduce costs, resolving two common problems associated with big and complex organizations: loss of entrepreneurship and performance accountability.

Client–Server Structure

Each of the 21 Acer Group companies would be a business unit specializing in either producing key components for global markets (i.e., strategic business units) or selling and serving Acer products in a specific region or market (i.e., regional business units). Each business unit would treat the others as preferred partners through direct exchange relationships, not through central planning from headquarters. This enabled the Acer Group companies to leverage the collective strength of a closely knit business network on the one hand and to ensure the business competitiveness of each entity on the other, as each business unit can outsource from non-Acer Group companies if their products are not competitive.

Fast-Food Business Model

Just like fast food, Shih decided that all personal computers should be assembled close to the customers. All final assembly would take place at uniload sites (i.e., work stations for final assembly), which are close to the market around the world to minimize risk exposure of technology- or price-sensitive key components. In the past, computers were assembled and shipped from Taiwan to different parts of the world. This operational model has two problems: (1) the lead time is long; and (2) the risk exposure is high as the value of the computers may change significantly due to generational change of technology or a drastic drop in price of key components while the computers are being shipped. The new operational model, borrowed from the McDonald fast-food model, moves the final assembly stage to local markets where computers are made based on fresh technology and up-to-the-minute price whenever they are ordered.

Together, these three changes produced an extreme form of decentralization to push business management responsibilities and performance accountabilities to the business units around the world rather than coordinating (or controlling) through headquarters in Taiwan. The transformation of Acer through this three-pronged strategy and organization approach led to the

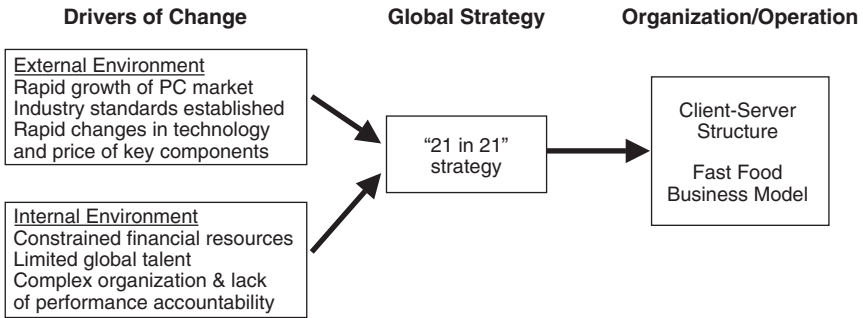


Fig. 2. Global Business Strategies and Organizational Model for Acer’s First Transformation (1990s).

rapid growth of Acer in the subsequent years (50% in 1993, 70% in 1994, and 80% in 1995). In recognition of Acer’s rapid growth and success in the computer industry, Stan Shih was also elected as one of the “Top 25 managers of the Year” by *Business Week* in 1996.

As we reflected on these business and organizational strategies, we found that they were very useful because the company was facing the following situations:

- the PC market was growing rapidly and it was important to build market presence quickly around the world through partnerships;
- the industry standards for key components and operating systems were well established, which enabled the disintegration of value-chain activities among different strategic business units and regional business units;
- the technology and price of key components were undergoing rapid changes; and
- the financial resources and talent base of the company were limited.

Fig. 2 summarizes the drivers, strategies, and organizational model used in the first major transformation in the early 1990s.

THE LATE 1990s: BOTTLENECKS ENCOUNTERED RESULTING IN NEW STRATEGIC DIRECTION

Although this new decentralized approach produced very positive results, it soon reached its limits of usefulness in the late 1990s due to three changes in the external and internal business environments.

1. The PC industry became saturated and growth slowed down in late 1990s. With excess capacity due to the over-investment of major PC firms over the years, the price pressure was intense and profit margin kept eroding. As a matter of fact, all PC firms except Dell reported a loss in 2001. It was clear that only a few strong players would eventually survive in the industry, while others would either merge with other players (e.g., DEC, Compaq, HP) or exit from the PC business (e.g., Siemens).
2. With excess capacity and pressure of consolidation, many PC companies hesitated to award orders to Acer, which, in addition to its OEM business, also has a brand business that competes directly with them. Instead, they could choose from a wide range of many other well-developed OEM or ODM companies in Taiwan and elsewhere. As a result, the OEM business of Acer, which was used to generate profits to subsidize the brand business, suffered.
3. Meanwhile, the high level of decentralization as a result of “21 in 21” strategy, client–server structure, and fast-food business model created inefficiencies and bottlenecks that eroded Acer organizational capability to win in the new, more demanding marketplace in three ways. First, the minority shareholder interest developed through the “21 in 21” strategy made global integration and synergy difficult, especially among regional business units (though it worked well among strategic business units that focused on design and manufacturing of global products). In the face of strong global competitors like Dell, the independent regional business units are clearly not strong enough to compete head-to-head on a regional or country basis with limited economic scale. They need strong support from headquarters and other regions. However, the minority shareholder interests from local partners made it difficult to move people, money, or materials on a global scale. Second, with the client–server structure in place, many business decisions regarding product strategy or inventory management were driven by the regional business units (the client), while the strategic business units (the server) play a supporting role. As a result, strategic business units, busy fulfilling order requests from different regions, failed to take on the proactive roles of formulating global strategies to compete with global competitors. Third, the fast-food model has resulted in the establishment of a large number of uniload sites (about 40) around the world. Unfortunately, the drawbacks of doing final assembly in a large number of uniload sites created a wide range of problems, including inventory problems, economic scale problem, and lack of competent talent to run the operations.

ACER'S SECOND TRANSFORMATION: 2001–2003

Clearly, as the business environment changed, the old formula for success in the early-to-mid-1990s no longer worked. Acer needed to re-invent itself again. As a result, the second major transformation was launched in December 2000 with the following strategic themes:

- *Simple*: It was decided to split the brand business from the OEM business. This strategy was designed to reduce the brand conflict created for Acer's OEM business on the one hand, and enable the Acer's brand business to outsource beyond its own OEM business unit, on the other. Subsequently, Acer was formally restructured in 2001 into three separate groups of companies: Acer Inc., which focuses on the selling and marketing of Acer brand products; Wistron, which is dedicated to the design and manufacture of PCs and related IT products for OEM customers; and BenQ which is dedicated to the design, manufacturing, and marketing of computing, communication, and consumer electronics products. Collectively, these three companies are now called the Pan-Acer Group.
- *Focus*: Focus resources on profitable regions and product lines, while downsizing or closing non-profitable regions and product lines.
- *Forward looking*: The Acer brand business had to position itself for new growth opportunities beyond the PC (e.g., server, storage, LCD TV), while the Acer OEM business had to improve its efficiency as a specialized OEM for not only PCs but also other products in information and telecommunication industries, such as, PDAs, games, and storage.

In the next section we describe how this second transformational strategy was implemented in Acer Inc., the Acer brand business.

ACT I: LEVERAGING GLOBAL INTEGRATION AND SYNERGY THROUGH ONE GLOBAL TEAM AT ACER INC.

After being appointed the President of Acer Inc. in late 2000, J.T. Wang faced the daunting challenges of restoring the business competitiveness of the Acer brand computers in the face of Dell's success with its direct business model and its responsive built-to-order capability. Dell was, and still is, the undisputed leader in the PC industry in both revenue and profitability. While many other PC companies try to copy Dell's direct business model, they create problems of channel conflict when they sell directly to customers in

addition to using retail channels. As a result, many industry analysts and business consultants feel that PC companies with a channel model will eventually be squeezed out by Dell. In the face of such powerful competition, Acer faced the question of how to position itself for future growth. Should Acer try the direct model or continue to sell through channel partners?

In addition, J.T. Wang also had to rebuild the confidence and morale of Acer employees. Although splitting the OEM and Acer Brand Business seems simple conceptually, it involved much untangling and emotional disengagement between two businesses as they used to operate as one legal entity for many years. For the brand business, the risk was substantial because its losses were used to be covered by OEM business. To survive, the Acer brand had to reposition itself as a truly sales and marketing organization without R&D and manufacturing capabilities. In view of the industry's saturated growth and strong competition, many employees in Acer had lost confidence in Acer's chance of surviving, let alone succeeding, in the PC industry. He had to renew their hope.

Realizing that the current strategy and organizational models ("21 in 21," client-server structure, fast-food business model) could not cope with the new business environments characterized by demanding global competition and eroding profit margin, J.T. Wang was determined to stop the dysfunctional effects of decentralization which created difficulties in implementing an organizational model that emphasizes global synergy.

He decided to reverse the decentralization strategy to pursue centralization at headquarters through global material management (including centralized procurement, global logistics, and centralized forecast based on timely market feedback from different regions) to increase global coordination and synergy. His new strategic direction was built upon the following guiding policies and principles:

- *Principle of one company*: Instead of encouraging the listing of multiple companies in different countries like Singapore, Taiwan, Mexico, Malaysia, etc., Acer decided to de-list all public companies and/or purchase back all minority shareholder interest to ensure 100% ownership through one global firm called Acer Inc. listed in the Taiwan stock market. This decision was made in order to facilitate better global integration and coordination.
- *Policy of one brand*: Going forward, the Acer brand will be used by Acer Inc. only and all other Acer Group companies (e.g., BenQ) could no longer use the Acer brand thus avoiding brand confusion and dilution.
- *Spirit of one team*: Under the "21 in 21" framework, the top management teams in strategic business units or regional business units considered

themselves as business owners (with shareholding interest) in addition to professional managers. As a result, they strove to make decisions that maximize the interest of their own “fiefdom” rather than the overall Acer “empire.” They considered themselves as “feudal kings” rather than “generals” assigned from the headquarters. With the one company policy, such mindset needed to be changed. Today, all managers are required to work together as a global team.

The formation of “One Global Team” working for “One Company” with “One Brand” has been reinforced through the following key interventions:

1. *Change in decision-making forum:* A new executive committee was formed comprising the CEO, the president, and all top executives from both global business units and regional business units. Collectively, the executive committee performs the role of headquarters in deciding the global strategy, product portfolio decisions, brand management, and material management. In other words, the top executives from all the “fiefdoms” are now expected to take on the role of headquarters and think and behave from the global, not local, perspective.
2. *Change in performance measurement:* All members of executive committee are now measured and rewarded according to new end-to-end performance measures, in addition to performance measures based on their specific units. To avoid the past debates on internal transfer pricing, global product business units are repositioned as cost centers while regional business units take on the responsibilities for overall profit and loss. In other words, all executive committee members are now accountable for two sets of measures: (1) overall end-to-end performance measures that depend on the contribution of all units ranging from procurement, vendor management, and logistic management to sales and services along the value-chain; and (2) their performance in the areas and activities they are accountable for.
3. *Change in incentive scheme:* A new global quarterly incentive has been designed to support the new performance measure and reinforce teamwork. On a quarterly basis with clear performance targets at the beginning of each quarter, each executive member and his/her direct reports are measured and rewarded for the achievement of overall team results in end-to-end performance measures (40% of total incentive) and the achievement of their individual results in areas where they are directly accountable (60% of total incentive). This global incentive scheme replaces a wide range of incentive schemes existing in different strategic business units and regional business units in the 1990s. The new scheme also uses the stock of Acer Inc. as the instrument of incentive payout. In these cases, all key

executives have the same incentive to increase the profitability of Acer Inc. and eventually contributing the rise of Acer stock price.

4. *Change in information transparency:* Given the thin margin of the PC business, the abilities to spot changing market opportunities and to accurately manage global materials are critical to Acer profitability. To improve the accuracy of the forecast and the responsiveness to changing market situation, an online executive information system has been developed that allows all executive committee members to track and understand sales, inventory, and financial reports of all regions and global business units instantly. Based on the online information system, global business teams at headquarters can revise their forecasts and coordinate with the vendors accordingly. To make collective decisions, monthly videoconferences among all Executive Committee members have been instituted to make key decisions in addition to the quarterly face-to-face meetings. As it turns out, information transparency and frequent meetings prove to be very critical in cultivating trust among the executive team. Everything is transparent and everyone understands that no one is playing games or developing hidden agendas.

ACT II: LEVERAGING GLOBAL RESOURCES ALONG THE VALUE-CHAIN PARTNERSHIP AT ACER INC.

After integrating and re-aligning Acer Inc. resources scattered around the world, Wang instituted a major initiative to leverage global resources along the value chain. Effective value-chain partnerships are critical to ensure the competitiveness of Acer Inc. products in terms of cost, quality, and delivery time from the vendor side and the competitiveness of the sale and marketing push on the channel partner side. Wang made two important changes. First, Acer Inc. would begin using other OEM manufacturers to build Acer products. Second, Acer Inc. would commit to a channel strategy and improve its relationships with channel partners.

Outsourcing

In spite of initial skepticism from other non-Acer OEM vendors, Acer brand business began sourcing from a second OEM vendor in Taiwan in addition to Acer OEM business (now called Wistron to maintain its neutral identity from Acer). After consistently pursuing the multiple vendor strategy using several other vendors in increasing quantity, it has finally become clear to

these OEM vendors that Acer brand business is truly separated from Wistron and Acer is willing to source the best-quality products at most competitive prices around the world.

Rapidly, Acer began to feel that it had access to the tremendous resources of OEM vendors (like Compal, Quanta, Foxconn) around the world, which are capable of designing and manufacturing a much wider range of products at a highly competitive cost rather than being restricted to internal sourcing through its own manufacturing arm. A positive cycle has been set into momentum to make Acer product offerings more complete and competitive. More importantly, as these OEM vendors also develop world-class expertise in managing global logistic for its key customers, Acer found that it could also immediately benefit from their global logistic capability to provide direct shipment to its distributors or customers around the world. This has substantially improved Acer inventory management and responsiveness to market changes, especially when Acer online material management system became linked up with OEM vendor's information system to provide a seamless supply-chain management. Fig. 3 shows Acer's new channel business model with direct supply-chain management.

While the use of a multiple-vendor strategy and the leveraging of their global logistic capability based on shared information platform have substantially improved Acer product competitiveness and inventory management capability, it also needed to leverage strong channel partners to promote the products to the end-users. In the past, Acer often worked with small or medium-sized channel partners as the larger distributors preferred to work with tier-one players like Compaq, HP, and IBM. However, as the direct business model of Dell became stronger than ever with the application

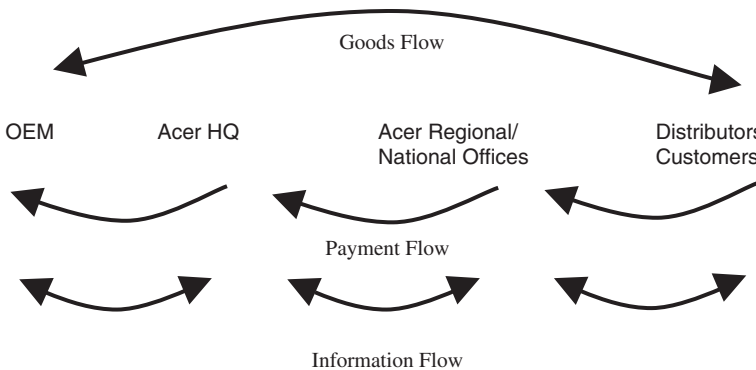


Fig. 3. New Channel Business Model with Direct Supply-Chain Management.

of e-commerce solutions, many tier-one players started to waiver between selling through distributors and retailers (channel model) or selling directly to the customer (direct model). This resulted in a great deal of conflict as leading channel partners did not want to be by-passed and dis-intermediated by direct sales. The indecisive distribution strategy of tier-one players has, in the end, created much distrust and anxiety among the leading channel partners. Acer perceived such a threat as a unique opportunity to rally the support of channel partners. Making a clear and committed position to the “channel model” and a willingness to share profit equally with channel partners by streamlining the operational efficiency of both sides, Acer has proposed and implemented a new channel business model that has proven to be successful in Europe. By reducing its total overhead from 11% of revenue to 5% of revenue in the last two years, Acer European Business Unit has demonstrated that the new channel business model can provide reasonable return to both channel partners and Acer by continuously improving efficiency on both sides through shared information system and global logistic. As a matter of fact, a positive cycle has been set in motion as more and more leading channel partners like Ingram, Tech Data, Carrefour, Media Marc have decided to form partnerships with Acer.

The Result

Acer has beaten Dell as the #1 supplier of notebook computers in 2004 in Europe. Our experience in Europe has boosted our confidence that Dell’s direct model is most powerful in the US where the advanced information technology, sophisticated payment infrastructure, and individualistic buying behaviors closely support the direct model. However, in many countries in Europe and Asia, we still believe that consumers prefer to buy computers by shopping around. Even for the corporate market, the channel model can still work well if the partners can work closely in offering value-added services to corporate customers. We believe that the power of Acer’s new channel business model is still growing and its full potential is still to be realized.

THE RESULTS OF ACER’S RECENT TRANSFORMATION

Acer’s transformation effort, announced in late 2000, was proven to be successful by the end of 2004, though the company had already started to

make money in the second half of 2002. In 2004, the revenue of Pan-Acer Group reached US\$23 billion, while Acer Inc., the icon of Acer Group, that sells and markets Acer brand computers, was ranked as #5 in worldwide PC market and #4 in notebook computer market. Below is the key financial summary of Acer brand business (excluding its channel business and e-service business) after it was split from Wistron in 2001:

Year	Sales Revenue	% of Growth
2001	US\$1.8 billion	NA
2002	US\$2.1 billion	16%
2003	US\$3.5 billion	66%

In the overall PC market, Acer currently ranked #5 in 2004, while its notebook computer ranks #4 worldwide.

We believe that a positive cycle has set in and the momentum will continue at least for the coming few years, because in the process of leveraging value-chain partnerships with OEM vendors and channel partners, Acer has repositioned itself as a business integrator. We believe that the same business model and capability can be extended to offer other IT products such as LCD monitor, printers, storage, LCD TV, etc. using the same platform to reduce costs and increase profits even more. This new channel business model, together with outsourced OEM vendors, can become highly efficient and scalable based on the principle of operational leverage. For example, Acer has recently sold more than 30,000 LCD monitors per month in China. How many people do we need in China to run this business? Two. How many did we need at headquarters to start and now to run this new business? 10. Fig. 4 summarizes the drivers, business strategies and organizational model in the second major transformation.

CONCLUSION: REFLECTING ON ROLES OF GLOBAL LEADERS

As mentioned at the beginning of this article, the most important contribution of global leaders is to build a winning company that is profitable, healthy, and sustainable. However, developing the strategy and organization that global firms required to win is an on-going process. In a turbulent and competitive environment, top leaders must redesign the firm time after time.

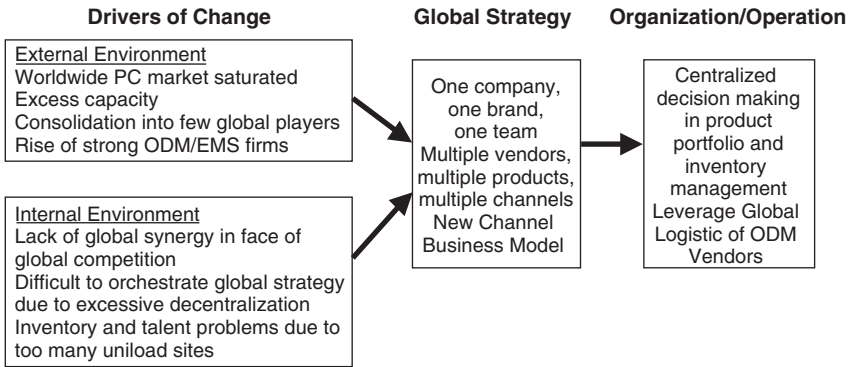


Fig. 4. Global Business Strategy and Organizational Model in Early 2000s.

When reflecting on Acer’s 28 years of history competing in the fast-changing and highly competitive computer industry, we believe that global leaders contribute to a company’s success through the following ways:

- (1) Developing a business model that can leverage resources. In the 1990s, Acer built rapid growth by leveraging financial resources, talent base, and local channels through “21 in 21” strategy. In the early 2000s, Acer was able to leverage the tremendous resources and global logistic capability from the OEM vendors and the win–win partnership with the channel partners. Moreover, it is imperative that the business model be profitable and sustainable no matter if it is a direct business model or a channel business model (Hamel, 2000).
- (2) Being sensitive to trends in the external environment and recognizing the need to change the company’s strategy and structure to fit the new situation. As Shih and Wang discovered at Acer, there is no single pathway to success. A company must change to realign itself with a changing environment. For example, in the 1990s, when the PC industry was growing rapidly and it was critical to capture the market quickly with limited resources, “21 in 21” strategy made good sense. However, in the 2000s when the PC industry became saturated and growth was stagnant, the “21 in 21” strategy and client–server structure became barriers to stage global competition against global giants. In this case, centralization, instead of decentralization, makes more sense. The emphasis of one-team inside Acer and the value-chain partnership outside Acer is critical to success in face of price competition and being responsive to market changes. Moreover, the enabling of information

technology, the maturity of OEM partners in Taiwan and elsewhere, and the threat of Dell direct business model on leading channel companies, represent new business realities that global leaders need to be aware of and sensitive to.

- (3) Communicating effectively with key stakeholders to rally their support for the new business model and vision. In the recent transformation effort, the key messages to different stakeholders are simple but powerful. For the OEM partners, the question is whether they want to see the emergence of only one big customer in their business 10 years later? Obviously, such strategy means that the risk is substantial. Acer is the next winner they can bet on given the new channel business model. For the channel partners, the threat from the direct business model is so obvious that it does not require further elaboration. However, Acer is willing to partner with them and to share profit equally. Given the leveraging of OEM partners around the world and the clear commitment to new channel business model, Acer represents the best partner that provides complete and competitive product lines, simple and easy to do business with.
- (4) Reversing the negative cycle of declining performance to create a positive cycle of growth. Once the OEM partners saw that Acer was serious about a multiple-vendor strategy, and channel partners understood that Acer was committed to a channel business model with good portfolio of products, and employees saw the business results improve and their compensation became more attractive, they all rallied behind the change. This support created a positive cycle. Therefore, the most critical job for global leaders in managing transformation is to reverse the vicious cycle and let everyone experience the positive effects, although it may take time to realize the full effects.
- (5) Being positive and instilling hope in others. In order to turn around the vicious cycle, global leaders themselves need to be positive and confident. Global leaders in tough industries like the PC business must be positive and hopeful to be able to identify growth opportunities and to convince others that tremendous opportunities still exist. Although global leaders must face difficult realities on the one hand, they must also identify winning possibilities on the other. For J.T. Wang, his basic belief as he took up his role as President of Acer Inc., was that there were tremendous resources, energy, and talent inside Acer. The key challenge for him was how to leverage and integrate such resources for positive contribution. As he looked at the powerful direct business model of Dell, he also believed that there were certain weaknesses and limitations of the

Dell business model on the one hand and opportunities for Acer as a result of such threats on channel partners on the other. If global leaders cannot think positively, and they give up the battle in their own minds, there is no way to turn things around and win in the business world.

By using Acer as a case study, we hope that we have illustrated the critical roles of global leaders in leading and managing global firms in a competitive environment. We believe what Acer experienced in the first transformation is particularly useful for firms that strive to go global from emerging economies. However, companies also need be aware that there is a limit to decentralization, as excessive decentralization also creates its own set of challenge. The key objective is to strike a good balance between local responsiveness and global synergy and adapt the business and organizational model according to each business situation. For those firms that are competing in mature global industries, we believe that the value-chain partnership and new channel business model can stimulate them to think more creatively as their companies face similar challenges.

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ARE YOU READY TO LEAD GLOBAL LEARNING? ☆

Xavier Gilbert and Peter Lorange

ABSTRACT

In this paper, we consider the ways that global leaders can promote global learning in their companies. Global learning occurs when ideas cross organizational boundaries, so that managers in all parts of the company can learn from each other. Through global learning, effective business practices can be identified and spread across the company, insuring that good ideas are adopted, regardless of their origin. These ideas become “global best practices” when they define an idea that can be applied globally, with some local modification if required.

In the first section, we ask four questions to help you determine if your company is prepared for global learning. Answering “yes” means that your company has a global orientation, which provides the foundation for global learning. Second, we present a model of global learning. Third, we suggest ways that you can build the capacity for global learning in your own company.

☆This chapter is in part adapted from “Developing Global Leaders” by P. Lorange, BizEd, Sep./Oct. 2003; in part by “Is Your Company Ready for Global Learning” by Xavier Gilbert, IMD Diagnostics Paper, 2003.

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GLOBAL ORIENTATION: THE FOUNDATION FOR GLOBAL LEARNING

1. Is Your Company a “Global Meeting Place”?

In every global company, executives from around the world must work together and learn from each other to develop a global point of view. To do this effectively, global companies create a global meeting place where executives from across the company can meet to discuss their problems and share solutions, creating a communication space where problems and solutions find each other.

This global meeting place may bring executives together face-to-face or it may be a virtual discussion space using videoconferencing or online communication. Regardless of the format, the key to success is open dialogue and creative problem-solving.

By encouraging dialogue, the global meeting place creates the network of relationships needed to run a global company. This network supports the collaboration required to design strong global strategies and to implement global initiatives quickly. In short, it creates a strong, global management team with a global point of view.

2. Is Your Company Free of Parochial Silo Cultures?

In many multinational companies, strong national cultures exist. Each national market has its own way of doing business developed to suit local conditions.

Although some localization will be necessary in most global companies, it is important to overcome parochial silo cultures to instill a shared global culture to create cohesion, integration, and a shared identity. Shared culture and shared identity make it easier for global companies to promote global learning. The global meeting place can be used to break through these silo national cultures and promote shared values and a shared identity.

3. Are Managers in Your Company Willing to Experiment and Learn from the Results?

Global learning depends on global leaders who are willing to experiment with new ideas in order to move ahead quickly. For the global leader,

experimentation is a matter of trying new initiatives in areas of the world where they are most likely to thrive. Global leaders experiment with ideas developed in other places and adapt them to fit their own needs.

Of course, some experiments fail, and business people have long had an aversion to failure. But successful leaders know that experiments and failure are opportunities to learn. They are willing to “fail early to succeed sooner,” as David Kelly, the founder and Chairman of IDEO likes to say.

To encourage experimentation, leaders support people who try new ideas. Top executives in particular must make sure that managers are not stigmatized if there is an occasional setback. Instead, top management should be sure that people learn.

4. Does Your Company Employ Global Strategic Thinking?

Some companies expand internationally by transplanting their original, domestic business model to markets around the world, a process we call “inside-out” international expansion. Other companies expand internationally by continuously adapting their business model to incorporate the lessons they learn as they enter new markets. This process represents “outside-in” international expansion, or expanding by “global inference,” a term Bob Galvin used to describe Motorola’s transformation to a global company. In these companies, managers look beyond the home country to other parts of the world to discover new, alternative ways of doing business.

Outside-in expansion reflects global strategic thinking. To promote global strategic thinking, executives must be encouraged to integrate what they have learned into their own business processes to create new ways of doing business. The challenge for the global corporation is to develop global leaders who are open to new interpretations of their businesses, so that their business models can adapt within an international context.

A MODEL OF GLOBAL LEARNING

If you answered “yes” to these four questions, there is a winning chance that your company can be an effective global learner. But getting there is a long journey. In this section, we describe a model of global learning, which we will use to explain how you can build the organizational capabilities required for effective global learning.

“Global learning” depends on two learning processes: (1) the individual learning process and (2) the global learning process. The individual learning

process focuses on the individual manager's ability to learn. Are individuals in your company good learners? Are they encouraged to learn?

The global learning process leverages individual learning through information sharing, which makes local knowledge available to managers around the world. A global company must encourage both individual and global learning, and orchestrate the interface between the two.

Individual Learning

The model of learning we use is based on Jean Piaget's "constructivism." According to Piaget, learning is a process of continuously "constructing" or making sense of our experience, rather than memorizing adequate responses. This model is consistent with the results of research showing that managers learn by opening themselves to new experiences, building a road map of the underlying phenomena, testing that map, and reflecting on what they have learned. As shown in Fig. 1, being open brings new information into the system, which is interpreted in the light of previous experience to create a new, tentative understanding, or road map, which is tested with experiments. Finally, reflecting on the outcome of these experiments yields an enriched understanding of the situation.

Global Learning

We built on Piaget's model to develop our model of global learning. Our model of global learning is grounded on similar learning processes (see Fig. 2).

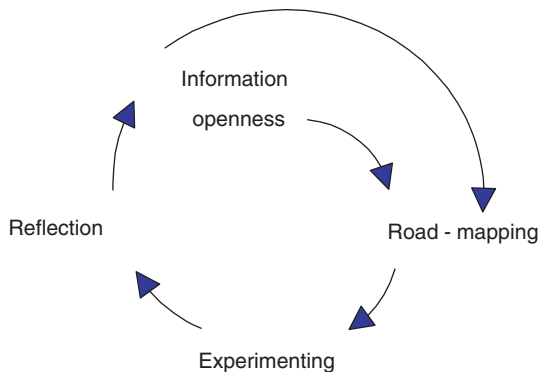


Fig. 1. Individual Learning Process.

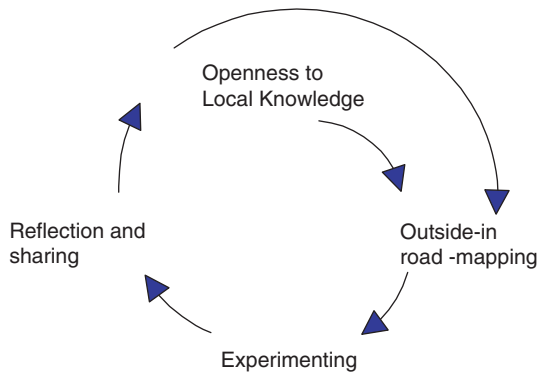


Fig. 2. Global Learning Process.

Openness to Local Knowledge

For global learning to take place, managers must be open to knowledge from other parts of the company, called local knowledge. When managers are closed, learning opportunities may be missed: market insights, product development opportunities, and supply-chain opportunities may be overlooked.

Of course, being open to local knowledge is not enough. Local managers must also have access to these ideas. This exposure may take place in the global meeting place, or local best practices may be documented and circulated by local managers who take responsibility for sharing and promoting local best practices. With a free flow of ideas coming from around the world, local knowledge can be used to develop global best practices.

Creating Outside-In Road Maps

Second, managers incorporate new local knowledge into their current understanding of business practices to create “outside-in” road maps. In some cases, these “outside-in” road maps may be quite different from the best practices formulated at headquarters and pushed “inside-out” to outlying locations. When this is the case, outside-in global road maps may generate best practices that are more globally robust, making them more likely to be “global best practices.”

Experimentation

Third, once new outside-in road maps are developed, local managers can experiment with them to test their robustness, and identify success variables

peculiar to their own situation. This local experimentation with outside-in road maps is essential to “push the envelope,” improve the idea, and adapt it for local use.

Reflection and Sharing

Finally, managers should reflect on these experiments and share what they have learned. Reflection and sharing will enrich the best practices as additional information about their effectiveness is incorporated. At this point, the essence of a global practice can be specified and contingencies that affect its success can be shared with managers around the world. Reflection and sharing clinches the learning and further enriches the global road map.

BUILDING ORGANIZATIONAL CAPABILITIES

To implement this global learning process, global leaders must build organizational learning capabilities. There are three organization capabilities that every organization must build: (1) information capabilities – the ability to move information quickly and freely around the organization; (2) people capabilities – the ability to attract people with a learning orientation and then develop them to enhance global learning; and (3) the ability to learn from experiments (see Fig. 3).

Of course these learning capabilities must be supported by the organization culture, the leadership style of top managers, and the reward system

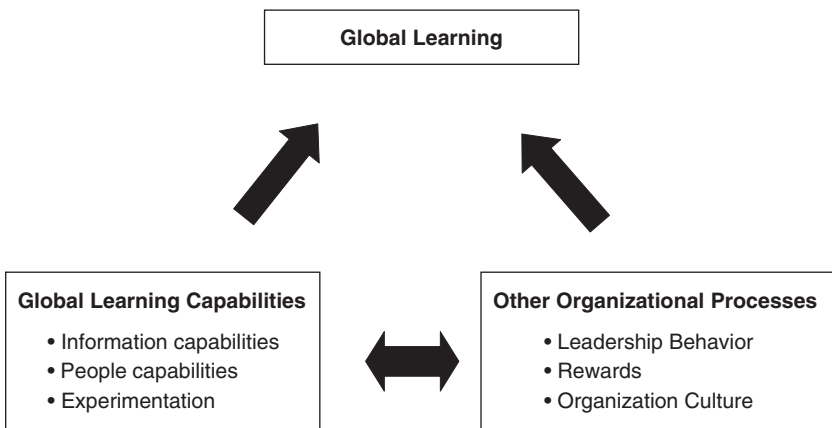


Fig. 3. Organizational Processes that Promote Global Learning.

of the firm. When culture, leadership, and rewards are properly aligned with information capabilities, people capabilities, and experimentation, global learning is more likely to occur, because these capabilities are supported by norms, expectations and role models who “walk the talk.”

In the next section, we describe each learning capability. We also suggest actions that global leaders can take to build the organization capabilities required for global learning.

Information Capabilities

Organizational processes that facilitate the exchange of ideas and information across local units and between the local units and the corporate center must be established. In many companies, information processes are designed to transfer information from the center to the local units, i.e., inside-out information processes. However, to support global learning, information sharing processes must support also an “outside-in” flow of information and a flow of information directly among the local units. In addition, information systems should help local managers make connections between different, and sometime seemingly unrelated, experiences to create new ways of doing business.

These are some actions that you might take to develop your organization’s information sharing capability:

- Install a common information infrastructure across the organization, one single e-mail system, one common database infrastructure, and one single web infrastructure.
- Make it easy to tap the knowledge and experience of local units and make it easy to find out who knows what in the different local units. Then encourage managers to contact others directly without asking for the boss’s permission.
- Make sure that local information travels up the organization hierarchy without being filtered through a hierarchy of gatekeepers.
- Make sure that local managers have top priority for meeting with corporate executives when visiting the headquarters. This will facilitate outside-in communication.
- Make useful information about local markets readily available. Be sure that managers who have this information are glad to share it. Make it clear that requests for information should not be treated as intrusions into a manager’s private domain. Similarly, the center must make information on local best practices and experiments widely available.

- Encourage local managers to collect information about how other local companies operate and share this information with other managers.
- Create formal processes to circulate across the company the best practices of local markets.
- Allow some flexibility in adapting the global process: this adaptation could well generate some new local learning that can ultimately be shared globally. On the other hand, enforcing a global process may produce valuable learning on how global processes may be designed in a more globally robust way.
- Create processes that help local managers solve problems and coordinate their actions without escalating to the top.
- Ask local managers to create an explicit learning agenda on behalf of the whole corporation. This can be discussed during strategy making and progress review meetings.
- To support the integration of local knowledge into global road maps, use multi-local teams to analyze global strategic issues. This will help them learn from each other and integrate local points of view.
- Create processes to encourage formal and informal networks around specific issues and functions. Ask managers to work together to produce integrated pictures of what can be learned from local experiences.
- Encourage local managers to publicize and discuss their own local best practices.
- Schedule regular global meetings, like review meetings, to be held in different countries each time.
- Reward people who adopt ideas from others. For example, at BP a prize is given for the best copied idea from another country.
- Create opportunities for managers to share the results of their experiments.

People Capabilities

To support global learning, selection and development processes should be designed to fill the organization with managers who are inquisitive, curious, and interested in new ways of doing business. They should be good listeners, know how to ask questions, and enjoy interacting with others. More specifically, in good learning companies, people have these characteristics:

- People believe that much can be learned about a local environment through careful observation.
- People discover for themselves how things work locally, by exploring and interacting with others, instead of reading reports and sending e-mails.

Helmut Maucher, when he was the CEO of Nestlé, used to tell head-quarter staff, to interact face to face with their counterparts in other locations, “Look in their eyes, not in their files!”.

- Managers welcome the experience and observations of managers in other units; the knowledge held by other local managers is believed to be potentially relevant and usable. It is not treated as a provincial idiosyncrasy.
- Senior corporate managers spend a lot of time visiting local markets, where they ask questions about local operations. They do not deliver a formal presentation and then rush to the airport.
- When visiting local units, senior corporate managers meet people from different constituencies. They know that reaching out to the front line is the most effective way to find out what really happens and to identify potential difficulties early on. Because senior corporate managers come across as good listeners, local people dare to express their concerns.
- Senior corporate managers frequently ask local-market people what their key learning points are.
- When visiting a local market, senior corporate managers typically disseminate a lot of information about other local markets; they are often compared to the merchants who used to walk from village to village, carrying the news across the region. By doing so, they infer and suggest connections and patterns across a wide array of experiences.
- Senior corporate managers can clearly explain what has been learned from the local markets and how that learning affects corporate strategy.
- In global meetings, top leaders emphasize global learning. They will focus on the processes followed by the local market, not only on their results; it is from understanding the processes that the learning can accrue.
- Senior corporate managers who readily admit that local units may have a better answer and push for the learning from local markets to impact the whole corporation, promote effectively the outside-in mindset that supports continuous global learning.
- Career paths for key managers include international assignments in several countries. Managers from all local units, not just the home country, should be encouraged to take on international assignments. Moreover, expatriates from the home country are expected to learn from local managers, not just teach the “home country way.”
- Internal promotion processes ensure that the national diversity of top managers reflects the international presence of the company. Top positions are not reserved for a single nationality.
- Local management is taken on by local people because in every country there is a pool of local people who have already received global exposure.

Effective Experimentation

Organization processes must also support thoughtful experimentation. Thoughtful experiments have a clear learning agenda. Without a clear learning agenda, experiments can be a waste of time and may even be dangerous. These are some examples of processes that support thoughtful experimentation:

- Managers have a model to guide experimentation. For example, the “adopt – adapt – innovate” model is well tested and supported by research on innovation. Using this model, managers can adopt a local best practice, adapt it as required, and then, innovate on the basis of the lessons learned.
- “Adopt” is the first step in the experiment: it provides the benchmark to determine whether the experiment yields better results.
- The learning to be derived from the experiment is specified in advance.
- Judgments derived from experiments must be based on data (e.g., actual market feedback) not on opinions.
- Experiments can be used to enter new markets quickly. Experimentation and learning are used in lieu of long, in-depth studies prior to entry.
- When entering a new market, senior corporate managers have a clear learning agenda that they reinforce in discussions of the entry process. For example, entering a new local market may be seen as a way to get more feedback on products and services, and to improve them. So, there will be an explicit learning agenda in any new market entry: “this is what we want to learn here,” not just “this is what we want to teach to these locals.”
- Senior managers to ask local managers to include experimentation in their action plans, with professionally thought out sensitivity analysis and risk analysis.
- Senior managers recognize that learning involves trial and error. They do not punish errors when an explicit experimentation and learning plan was followed, and reflection leads to clear learning.

CONCLUSION

Building a global learning capability is not the result of one single initiative. Instead, it results from the combination of these learning capabilities with rewards, values, and leadership behavior that support global learning. When these factors are properly aligned, global managers can create the global learning capability their company needs to succeed.

LEADERSHIP DEVELOPMENT WITHOUT BORDERS

Neil Sendelbach and Michael R. McGrath

ABSTRACT

In this chapter, we describe a model that we use to design and deliver leadership development programs around the world. This model, called the competing values model (Quinn, 1988; Quinn & Rohrbaugh, 1983; Cameron & Quinn, 1999), is a culturally neutral, non-normative framework that helps individual leaders understand the value of different leadership behaviors and when they might be applied. First we present the model. Then we describe two global leadership development programs using the CVM.

Finally, we see a leadership framework that fits the mindset and culture of Asia. We appreciate your considering the cultural differences between the United States and Asia in bringing this leadership development to us.

This is a framework that works in Latin America. Our culture is different here than in North America and this framework provides a basis for examining and understanding effective leadership we can utilize.

I now can understand leadership in a way that helps me be more effective here in the Mid-East. This framework helps me understand different perspectives and how they may be effective here with a very culturally diverse workforce within a culture different than the United States.

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The above comments are typical of participants in executive development programs we have taught in various corners of the world. These quotes are music to our ears because these managers, all working in different parts of the world, are referring to a single framework. It appears that we have found a framework that we can use around the world to increase leader effectiveness.

As Americans we are continually challenged to look beyond the American point of view to help leaders around the globe increase their personal and organizational effectiveness. For many years, executive and leadership development took on a very US-centric flavor as more often than not, development was targeted at leaders of US-based companies operating globally. The message often received by participants in these programs seemed to be “leadership effectiveness the US way or no way!” As non-U.S. operations become larger and more significant parts of businesses, populated with more non-U.S. leaders in key positions, and as the challenges of globalization became inescapable, executive and leadership development processes had to be rethought, adjusted, and realigned. Just because a program, practice or process worked with primarily U.S. audiences in an American culture did not mean it would work effectively – or at all – for that non-U.S. audiences and cultures.

As leadership development professionals working in global companies, we had to face this challenge head on and find a method that we can use to design and deliver leadership development programs globally. In this chapter, we discuss some of our insights and experiences related to this issue. Specifically, we focus on a model that we have found very helpful in the design and delivery of global leadership development programs – the competing values model (CVM). The CVM is a culturally neutral, non-normative framework (i.e. no one best way) that helps individual leaders understand the value of different leadership roles and behaviors and when they might be applied. The CVM does this by (1) providing a shared language for discussing leadership roles and organizational effectiveness, and (2) providing an integrated framework for considering leadership effectiveness (Quinn, 1988); determinants of organizational effectiveness (Quinn & Rohrbaugh, 1983); organizational culture and organizational performance (Cameron & Quinn, 1999).

In this chapter, we focus on the CVM as it is used in leadership development and we describe two global leadership development programs using the CVM. Finally, we show how the CVM can be used to help leaders understand the many problems (e.g. quality, cost, productivity, succession planning, a distributed organization, new competition, etc.) confronting them. As context for that discussion, we first consider a question that is

critical to the effective delivery of leadership development without borders: what constitutes effective global leadership?

EFFECTIVE GLOBAL LEADERSHIP: COMPETENCIES, COMPETENCIES, EVERYWHERE!

As two refugees from a long-established consulting firm that was among the pioneers of competency modeling and assessment centers, we have both seen more than our fair share of skills, attributes, characteristics, definitions, and competency requirements for effective global leadership. For purposes of this discussion, we would like to review two prominent models of effective global leadership: the global leader of the future profile identified in the comprehensive and exhaustive research study done by Goldsmith, Greenberg, Robertson, and Hu-Chan (2003) and the competencies of the global executive resulting from McCall and Hollenbeck's (2002) re-examination of the "lessons of experience" within a global context. Both are extremely well researched and both have their own very distinct point of view on effective global leadership.

In *Global Leadership: The Next Generation*, Goldsmith et al. discuss the results of a multiyear, multimethod study whose methodology included panels of thought leaders and futurists (including e.g. Warren Bennis, John Kotter, Jim Bolt, Jay Conger, Abe Zaleznik), focus and dialogue groups, and one-on-one interviews and a quantitative survey of 202 high-potential leaders in global organizations. Their work addressed three fundamental questions:

1. What will effective leaders be like in the future?
2. What competencies must a leader have to be successful in the changing global marketplace of the future?
3. What is the profile of the global leader of the future?

Their efforts yielded 14 global leadership dimensions and estimate of their criticality and importance to past, present, and future effectiveness. They are listed in Table 1. One of the most fascinating findings of Goldsmith et al.'s work is that the importances of all 14 dimensions of global leadership are expected to increase significantly over time. While study participants were able to identify certain competencies as being more or less important for the past and present, all 14 dimensions were seen as highly critical to success for future global leaders. These results suggest that leaders must excel at all 14

Table 1. Global Leader of the Future Dimensions (Goldsmith et al., 2003).

1. Thinks globally	8. Shows technological savvy
2. Anticipates opportunity	9. Encourages constructive challenge
3. Creates a shared vision	10. Ensures customer satisfaction
4. Develops and empowers people	11. Achieves a competitive advantage
5. Appreciates cultural diversity	12. Demonstrates personal mastery
6. Builds teamwork and partnerships	13. Shares leadership
7. Embraces change	14. Lives the values

Table 2. Global Leadership Competencies.

Developing Global Executives (McCall & Hollenbeck, 2002)	Global Leadership: The Next Generation (Goldsmith et al., 2003)
1. Open-minded and flexible in thought tactics	1. Thinking globally
2. Cultural interest and sensitivity	2. Appreciating cultural diversity
3. Able to deal with complexity	3. Developing technological savvy
4. Resilient, resourceful, optimistic, energetic	4. Building partnerships and alliances
5. Honesty and integrity	5. Sharing leadership
6. Stable personal life	
7. Value-added technical or business skills	

dimensions to be successful in the future global marketplace, or, they must be able to draw upon the collective expertise of a leadership team to cover all 14 dimensions. In other words, in the future, organizations will be led by a “Super Leader,” who excels in all 14 dimensions, or a leadership team that covers all 14 through their collective experience.

In *Developing Global Executives*, Morgan McCall and George Hollenbeck (2002) returned to the “lessons of experience” research to identify critical developmental experiences for global executives and discover what lessons they learned. After interviewing 101 leaders with global responsibilities from 36 countries they too identified a set of global leadership competencies. In Table 2, they are juxtaposed against the most critical future global competencies identified by Goldsmith et al. By their own admission, McCall and Hollenbeck’s global competencies reflect their own point of view and perspective:

The search for global executive competencies has failed to uncover a universal set of competencies. We contend that no one agrees on a global competency set, because there

is no universal global job. Global competencies, like global jobs, must be thought of as a mix, depending on the job. We cannot, however, resist the temptation to derive our own global competency set based on the distinctions that our executives made between domestic and international work, what it takes to do it and the developing literature of global leadership.

With our emphasis on crossing cultures in defining global work, it will come as no surprise that in defining competencies, we emphasize the cultural rather than the business dimensions of global jobs. (pp. 34–35)

While [Table 2](#) does show the authors' preference for the cultural dimensions of global jobs, their competencies do have similarities with Goldsmith's et al.'s, "thinking globally" and "appreciating cultural diversity."

Implications for Global Leadership Development

These two models of effective global leadership (two among many) suggest several important challenges to "borderless" leadership development. First, there is no single universally accepted set of effective global leader competencies – either because as McCall and Hollenbeck suggest, there is no single universal global leadership job, or, perhaps because these lists are influenced by the perspective/mindset of those who create them. Second, even when these models are supported by exhaustive research the guidance they provide to individual leaders and organizations about being more effective raises as many questions as it answers. For example, Goldsmith et al. (2003) tell us that the importance of ALL 14 of the dimensions of global leadership will increase significantly over time – so much so that success may require "super leaders" or more multiple/shared leadership. This can be of little comfort to an individual struggling alone without the collective experience of a management team. We have delivered hundreds of programs over the past 25 years and have lost count of the number of times participants have thrown up their hands in frustration and pleaded – "Just tell us how we can be better leaders and make our organizations more effective!" Hearing that everything is critically important is likely far down the list of helpful responses. Third, the question of time frame must also be addressed – should leaders build the competences to be effective today with the present set of competitors or the competences required to be effective in the future?

Lastly, these first two challenges are exacerbated by the cultural differences that characterize how effective global leadership is defined. As [McCall and Hollenbeck \(2002\)](#) described the challenge of global work: "The *whats*

remain the same, but the *hows* are different” (McCall & Hollenbeck, p. 35) – referring to the challenges of different cultures and multiple geographies. This observation is consistent with our experience. In our experience, leaders want to know how to lead effectively in a particular situation – how to interact with a specific group, what to emphasize, and how to behave in the situation they are in.

We believe the CVM can be very helpful in addressing these challenges because it avoids one-size-fits all prescriptions and helps leaders focus on roles and behaviors suited to the situation they are in. Moreover, the CVM model promotes the flexibility required to adopt a global mindset and the ability to appreciate cultural diversity that are critical to effective global leadership development. We turn to that issue now.

BELIEVING IS SEEING: THE IMPORTANCE OF GLOBAL MINDSETS

Goldsmith et al.’s model, and likely many other competency models (e.g. see PDI competencies below), emphasizes the importance of “thinking globally” to effective global leadership. Similarly, McCall and Hollenbeck believe that being “open-minded and flexible in thought and tactics and able to deal with complexity” is particularly important for success. We believe that these competencies are important because they help leaders to develop a global mindset. Govindarajan and Gupta (2001) make a compelling case for the importance of global mindset to successful competition in the global arena. As part of their on-going research on global strategic effectiveness and global mindset, they asked the CEO of one of the world’s largest pharmaceutical corporations, “What are the three things that might keep you awake at night?” The CEO responded: “First, people development. Second, setting business priorities to make sure that the short term doesn’t drive out the long-term. And third, setting the tone for creating a global mindset.”

This response reflects three important concerns for our discussion of borderless leadership development: (1) the criticality of people development – especially as it relates to global leadership effectiveness, (2) the omnipresent competition between equally desirable focal points, i.e. success in the short-term versus long-term success; and (3) the importance of “mindset” and its role in effective global leadership.

Govindarajan and Gupta (2001) wrestle with the complexity of global mindsets and recognize that developing a global mindset is difficult because

individuals develop local mindsets based on their own experience. People use their local mindsets to filter and interpret information. As a result, Govindarajan and Gupta also point out that mindsets can be double-edged swords:

... On one hand, they allow us to avoid becoming paralyzed by the richness and complexity of the information environment around us; on the other hand, they can blind us to alternate views of reality. In short, we operate in a paradox, viewing the world through cognitive schemas, yet being at the mercy of schema-driven information processing ... (p. 107)

The challenge then with global mindset is twofold: first, how can we help managers recognize and get beyond the limitations of their personal “cognitive schemas” or home-based paradigms to increase their effectiveness as global leaders? Second, given the history of American business/cultural domination in approaches to executive leadership development, how can we develop a global mindset for leadership development? We believe that these challenges can best be addressed with an approach that is as “culturally neutral” as possible. The approach must facilitate the ability of leaders in any part of a global organization to address company-wide strategic requirements and their implications for effective leadership, while helping them adapt to local cultural differences in impact and implementation.

The Competing Values Model

Over the past two decades, we have experienced great success with just such an approach, based on the CVM. The CVM, with its emphasis on multiple and competing values and its dynamic tension framework comes closest to our standard of “culturally neutral” as possible. Emphasizing the competition amongst the values, and not the conflict, the CVM allows leaders to understand the critical elements of a situation with as little value judgments as possible and to consider the appropriate balance among the values in defining what effective leadership behavior requires in a given situation or circumstance. It facilitates the consideration of trade-offs between what in the moment often seems to be equally desirable and conversely, equally undesirable decisions.

The CVM emerged from a series of studies designed to reframe the continuing disagreements among academics about the characteristics of organizational effectiveness. At the time, there were almost as many sets of criteria for organizational effectiveness as there were academics who were engaged in the debate. To bring order to this debate, Quinn and Rohrbaugh (1983)

used multidimensional scaling to identify key dimensions distinguishing the different points of view, creating a “cognitive map” of these various perspectives on organizational effectiveness.

Fig. 1 shows the two axes and the four quadrants in the cognitive map that emerged from this analysis. The vertical axis ranges from flexibility to control, while the horizontal axis ranges from an internal focus to an external focus. Together these two dimensions distinguish four perspectives on organization effectiveness: (1) the human relations perspective (upper left) which stresses cohesion, morale, and human resource development; (2) the open systems model (upper right) which stresses flexibility, readiness, growth, resource acquisition, and external support; (3) the rational goal model (lower right) which stresses planning and goal setting and productivity and efficiency; and (4) the internal process model which stresses information management, communication, stability, and control. Each of these quadrants reflects the values and assumptions related to the definition of effectiveness in each of the four major models of organization from the literature.

This model was called the Competing Values Model because the attributes defined by the two axes compete for management’s attention – e.g. we want our organizations to be adaptable and flexible, but we also want them to be stable and controlled. Thus, although these criteria, values, and assumptions are oppositions in our minds, and seem to be in conflict, in reality, these criteria are all desirable and constantly competing for the hearts and minds of leaders as well as the resources the organization can bring to bear. Thus, the CVM allows the simultaneous consideration of all four perspectives on organizational effectiveness hence providing a more comprehensive framework as well as one that allows application of “both/and” thinking versus traditional “either/or” thinking – i.e. how can our organizations be flexible and adaptable *and* stable and controlled? What is the right emphasis on each quadrant in order to be individually effective as a leader within my organization (along with its organizational culture and strategy)? How do I maintain the right balance over time and avoid over-emphasizing one or two quadrants to the detriment of the others and possibly overall effectiveness? As a result, at both the organizational and individual leadership effectiveness levels, the CVM helps understand the competition between models and criteria – equally desirable outcomes competing for attention. It also helps both individuals and organizations make trade-offs and dynamically balance and rebalance themselves over time in their attempts to get and stay effective as we will see in our case discussions below.

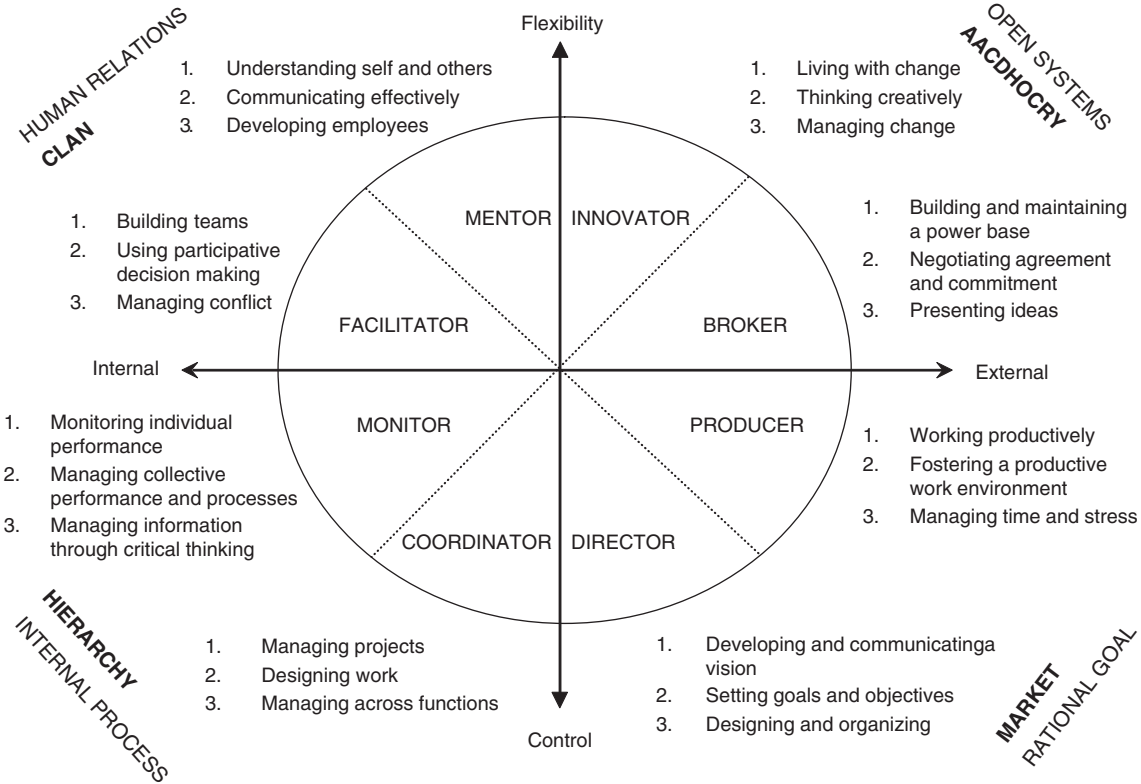


Fig. 1. The Competing Values Model (adapted from Quinn, Faerman, Thompson, & McGrath, 2003).

In subsequent work, Cameron and Quinn (1999) showed the link between organization models, organizational culture, leadership roles, and leadership skills (also shown in Fig. 1). The human relations perspective manifests itself in the clan culture, the open systems perspective manifests itself in the adhocracy culture, the internal process perspective manifests itself in the hierarchy culture, and the rational goal perspective manifests itself in the market culture (Cameron & Quinn, 1999). In the clan culture, effective leaders will be good mentors and facilitators; in the adhocracy, leaders play the innovator and broker roles; in the hierarchy culture play the monitor and coordinator roles; and in the market culture, leadership serves the director and producer roles (Quinn, 1988). The key skill sets associated with these eight leadership roles are also shown in Fig. 1. For example, effective execution of the director role requires competence in developing and communicating a vision, setting goals and objectives, and designing and organizing (Quinn, Faerman, Thompson, & McGrath, 2003).

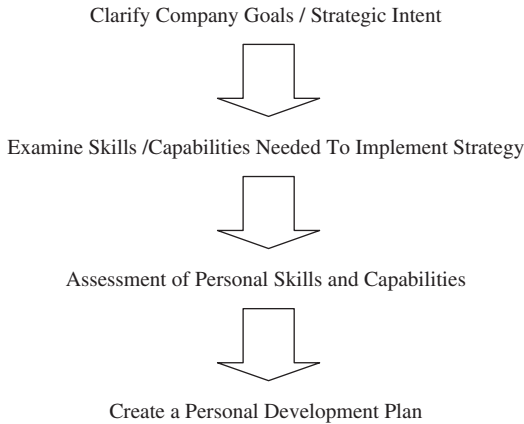
Leadership Development and the CVM

We use the CVM to help managers to think about the links between company strategy, models of organization effectiveness, organization culture, leadership roles, and their own leadership and management skills. We always begin with strategy, because understanding strategy is fundamental to any leadership development process. Leadership only makes sense as it relates to an organization's strategy and the plan for implementing that strategy. Once the strategy and implementation plan is clear, the CVM can be applied in two different ways.

The first application is an examination of each CVM quadrant to understand the skills and capabilities required in order to achieve the strategic plan. This approach is used in the University of Michigan's Executive Education *Management of Managers* (MOM) program. In this program, we describe the CVM and then examined each of the four quadrants. Participants in the program are encouraged to discuss various practices and experiences in each quadrant and to understand each quadrant's contribution to their organizations' strategic plans. In the end, participants synthesize their analysis of the four quadrants and decide how much to emphasize each one.

This process is designed to help participants understand the extent to which the skills and capabilities of each quadrant are needed to support the achievement of their organizations' strategic plan. Using this analysis, participants assess their personal capabilities and determine those needing

development. The CVM provides the framework to see these skills and capabilities within a larger context and in relationship to other skills and capabilities. The sequence looks like:



Following is a detailed description of this program highlighting the focus on the CVM.

THE UNIVERSITY OF MICHIGAN’S MOM PROGRAM: BUILDING ON THE CVM

The approach taken by the University of Michigan’s Executive Education *Management of Managers* program is to first provide participants a broad understanding of the CVM and then to describe key aspects of each quadrant. The overall flow and process for this approach are described below.

Participants are first shown the many lists of attributes and behaviors used to describe effective leadership. While these lists are interesting, they fail to show any relationship between the items on the list. Participants are then given a set of three cards. Each card states a leadership action (e.g. focus on results, insure appropriate training and development of staff, focus on process improvements, develop new and innovative products, etc.). The cards are color-keyed according to the four quadrants; items reflecting the hierarchy quadrant are red, market is blue, adhocracy is green, and clan is yellow. Participants are told to trade among themselves to collect “their best three cards in order to make their organization high performing in the next year.” After everyone has traded and collected “their best three cards,” they are

asked to place the card that is “most valued and critical” on top. Participants are then divided into four corners according to the color of their top card.

Participants from each corner are then asked to read the statement on their top card. The people in the opposite corner listen and then answer the questions “what is important to those leaders?” and “what could you do that would give those leaders reason to fire you?” Very quickly, the dynamics become “competitive” as each group sees themselves as “right” and behaviors from the opposite quadrant/color as being grounds for firing. When asked “which quadrant is right” all participants say the obvious that certainly “their quadrant” is right and that all the quadrants are right. The challenge becomes clear that “right” depends on what you are trying to accomplish. The right answer is “situational” but, more specifically, “consciously situational” in that the leader selects a balance between the four quadrants to suit the intended purpose.

This process also highlights that each of the participants has a favored or dominant quadrant. This may be a quadrant that is their comfort zone – the quadrant they feel most confident in their skills and abilities. In fact, participants often report that there is one quadrant where they feel most comfortable and which tends to dominate their behaviors. This may be the quadrant representing skills and requirements most necessary for their job responsibilities or in which they are perceived to be most effective. An example is establishing policies, procedures, and controls from the hierarchy quadrant for a person in a production type role and responsibility or in negotiations, relationships, and networking from the clan quadrant for a person in a staff type role.

Or the preferred quadrant may reflect a cultural or industry bias. For example, in a data processing unit of a banking organization, there is a strong bias toward the hierarchy/red quadrant indicating a strong focus on error-proof processes and market/blue quadrant in delivering results expected by the customer. There is less focus on taking risks and being creative (the adhocracy/green quadrant). Culturally, there seems to be a stronger representation of people standing in the adhocracy/green quadrant in the US compared to Asia where we observe a higher number of participants oriented toward the hierarchy/red quadrant. The important point is that there is no right or wrong. Each quadrant has positive contribution to effective leadership. The issue is one of balance. Participants globally see this as the issue and understand that the “right” balance is culturally adaptable. The process also highlights what may be a cultural or industry-type bias that may need adjustment. There are frequently lots of early insights by participants as to the implications of their bias as related to leadership effectiveness.

The next part of the MOM program immerses the participants in each of the quadrants to see how leaders in each quadrant behave; e.g. what it means to be really Red focusing on stability and predictability with an internal focus, or to be really Green focusing on radical change and innovation with a view to the external environment, etc. Following is a description of the immersion within each quadrant.

Being Red: The Effective Hierarchy Quadrant

We typically start with the hierarchy quadrant as almost all participants from any part of the world seem to have great familiarity with this quadrant. All organizations and leaders depend on the hierarchy quadrant to provide stability and predictability personally and organizationally. That is the outcome of effective hierarchy; appropriate controls and predictability.

The degree of control and predictability varies by culture and organization. Participants from Asia seem to have more strength in their leadership capabilities in this quadrant. Participants from the U.S. typically refer to the hierarchy quadrant initially as bureaucratic and dysfunctional. Again, everyone has high familiarity but potentially different regard for the hierarchy quadrant. After some discussion, all participants agree on the need for an appropriate level of control and predictability. The leadership development challenge is universal: determining the effective level and application of control and predictability.

Leadership development capabilities discussed include organization design, development and monitoring of systems and processes to support organizational operations, and appropriate delegation. Participants from Asia typically see that they may be exhibiting leadership skills that are too controlling with little flexibility, while U.S. participants see that they have problems with many out-dated processes and procedures leaving their people in the risky situation of having to determine which policies and procedures they can ignore and which are important. Perhaps, this is why the great success of the process re-engineering movement has occurred in the U.S. Process re-engineering is an approach firmly centered in the hierarchy quadrant. Re-engineering, when done well and successfully, leads to effective hierarchy.

Being Blue: The Competitive Market Quadrant

The next quadrant participants are immersed in is the blue quadrant: the market quadrant. As stated above, this quadrant is all about focusing on the

customer and delivering results – those results the customer is expecting and that will provide your organization a competitive advantage. The market quadrant is all about winning. Again, this quadrant is universal; all organizations have customers and need to deliver results no matter where in the world they operate. The leadership development challenge is to help leaders determine the necessary skills and capabilities required to accomplish these results. Winning, however, has different meanings in different cultures.

In a leadership development program designed around an immersion into each quadrant, we have observed differences in participant reactions and orientations to the skills associated with the market quadrant. Skills associated with this quadrant include driving execution, driving for stakeholder success, and closeness to the customer. In the U.S., winning in business is often depicted in Hollywood movies as being tough, hard-driving, win-at-any-cost (e.g. *Wall Street*, *Other Peoples Money*, etc.). U.S. leadership development participants often see their skills and capabilities from this quadrant as being highly developed and the challenge is one of not over-doing the emphasis in this quadrant. In contrast, participants from the Middle East see this quadrant as one requiring more development in their culture. While Middle-Eastern participants have great skills in negotiating and building customer relationships, the more Western approaches of competitive analysis and strategic planning are not as developed. Again, the CVM is a very borderless approach as no “right answer” is advocated. The issue is again to provide a framework for asking whether the current approach in each quadrant is delivering the desired results.

Being Green: The Creative Adhocracy Quadrant

We like to address the adhocracy quadrant as the third quadrant because it provides a change of pace in all cultural settings. Hierarchy is foundational, existing, and basically understood by all participants. Market is seen as the purpose and bottom line for organizations and leaders. Adhocracy is different and has a great deal of variation exhibited in cultures and organization types. Adhocracy is all about looking outside business as well as supported by the hierarchy quadrant. Yet in today’s times of rapid change and uncertainty, everyone sees the adhocracy quadrant as important even if unfamiliar.

Leadership skills in the adhocracy quadrant include visioning, innovation, leading change, and creativity. This is the quadrant that is of the most fun to teach and is reported to be the one most participants need the most for

development. Again, the CVM helps participants understand why these skills and capabilities are frequently least developed. The adhocracy quadrant is all about the future and focuses primarily on aspects outside the organization that may have impact on the organization. Participants report that their day is typically taken up in working on current issues and problems and while they know they should be attending to the future, there is no time for such activities. They see the adhocracy quadrant as potentially high payoff and, therefore, they should focus both their personal development and their organization's attention to the quadrant and to its associated skills.

In the MOM leadership program, we focus on understanding the skills for being creative and the role and responsibility of a leader in fostering creativity in their organization. We also spend time on the process of "futuring"; looking five years out and describing the preferred future we would want for our organizations and ourselves. Participants can create a road map from the present to their preferred future and understand the required leadership skills, capabilities, and actions to get there.

While opening up and thinking of the future seems to be a universally good experience for leadership development participants, the degree of change that may be required or appropriate seems to be different in different cultures. Again, this difference seems to be just as true by organization culture as well as geographic culture. Participants in the U.S. are more likely to look at a future that has fairly radical change, participants in Asia look at a future that is more incremental in change, and participants in Latin America seem to see tumultuous change as a more normal experience. The CVM is helpful in understanding the issue of change and in considering the leadership skills and capabilities that will be required to address such changes. The degree of change required will depend on the strategic imperatives the organization is facing. Large or small, the adhocracy quadrant and associated leadership skills and capabilities will be important.

Being Yellow: The Collaborative Clan Quadrant

The last quadrant addressed is the clan quadrant; that quadrant located in the upper left of the CVM and, therefore, focused on internal change and adaptability. The clan quadrant is all about the people in the organization and the challenges of leading them. By this point in the program, participants seem to enjoy the opportunity to focus on a particular quadrant and associated issues and necessary skills to address such issues.

In the MOM program, we focus on such leadership skills as communication, empowerment, and interpersonal relationships. These are skills that

many participants report as typical in a leadership development program. The part they say is unique in the MOM program is that they now see these skills in relationship to the other three quadrants, which provides a different perspective and gives the “people skills” a context. Highlighting the clan quadrant after the other three quadrants puts people skills in relationship to achieving results, having appropriate control, and leading change. Participants are now ready to start seeing the interrelationships between the quadrants.

The leadership skills and capabilities in the clan quadrant are no longer “merely the soft skills” but rather are tied to the outcomes being addressed in the market quadrant to achieve customer satisfaction, supporting the level of discipline and control necessary from the hierarchy quadrant, and creating an atmosphere of support and daring to align with the risk and change associated with the adhocracy quadrant. It is no longer effective communication, interpersonal relationships, and empowerment because these are correlated with effective leadership but rather to support an effective mix of complementary behaviors that lead to purposeful leadership.

Integration: Finding the Right Balance

The last part of the MOM program focuses on helping participants think about the challenge of leadership holistically: considering all four quadrants as a mix of critical ingredients to create an effective blend of leadership skills and capabilities. The mix from each quadrant needs to be complementary and supportive. Effective creativity and innovation from the adhocracy quadrant requires the right blend of controls, systems, and processes from the hierarchy quadrant, focus from the market quadrant to provide purpose and goals, and the right kind of support and motivation of the people that will do the work. The “right” balance from each quadrant depends on the strategic context for the activity. Participants see that leadership requires careful consideration of purpose and intent in order to determine the right balance and composition from each quadrant that create effective support and complimentary action.

This need to consider the right blend of skills and capabilities from each of the quadrants differentiates the CVM approach to leadership development. With this perspective, leaders see individual skills as related to a whole complex leadership set rather than as independent skills. A skill is not good or bad until it is considered in relationship to what the leader is trying to achieve and other supporting requirements.

A leadership development plan from the MOM program requires context. Going back to the original three-card activity, participants see that they have a “favored” quadrant in which they most likely have high skills and capabilities. They may also see that they have a particular quadrant that is “least favored.” This insight can be very helpful in creating a development action plan and useful in understanding the relationship between development needs and current strengths.

Participants leave the MOM program with a solid understanding of each quadrant and of the interrelationship between quadrants. In such an “open-enrollment” program where participants are from a variety of organizations from different geographic regions, the value of the CVM is that all participants can interpret their unique needs and requirements yet have a common framework for analysis and discussion.

This inductive approach of examining each quadrant and understanding the associated skills, abilities, and unique value-adding contribution to effective leadership is also used in “custom” leadership program designs. These are leadership development programs designed and developed for a specific company. The advantage in these programs is all participants share the same strategic context. It also has the advantage of allowing real-time company documents, data and issues, and opportunities to be incorporated in the teaching/learning context. Even for global organizations operating in different geographic cultures, the CVM allows the participants to share a common leadership perspective and language. Each participant can “adjust” the appropriate balance of skills, capabilities, and application of each quadrant to be aligned with the strategic intent of the company yet fit within the local context.

From a global leadership development perspective, the CVM is culturally neutral. In a leadership development program such as MOM, participants see how the emphasis in each quadrant varies by industry type as much as from geographic cultural differences. Such differences are understandable and important. In this regard, the CVM as a leadership framework seems to be helpful for participants in understanding differences. This feature is highlighted in custom programs where participants are all from the same company yet see differences from different functional perspectives and geographic regions. The value of having a common descriptive framework and language seems particularly valuable in talking about leadership effectiveness. Participants often relate after the program that the framework helps them think of others’ behaviors in terms of a profile of the four quadrants.

THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL AND FORD MOTOR COMPANY LEADERSHIP EDUCATION AND DEVELOPMENT PROGRAM

A second approach to leadership development involves using the CVM in a custom-designed program is to examine an organization's strategic imperatives and then consider the four quadrants to see how leaders might behave to satisfy the company's' strategic requirements. This process acknowledges at the onset that most any leadership behavior is some balance between the four quadrants. For example, when analyzing the strategic imperative of customer focus, every leader can examine their roles and responsibilities and the necessary leadership requirements against each of the four quadrants. The leadership requirements will also likely be different for leaders in different parts of an organization both functionally and geographically. This means the balance between the four quadrants (the CVM profile) and the associated skills and capabilities will be different in different parts of the company, even where the common goal is to support customer focus. This approach is particularly useful in leadership development efforts focused in a particular organization where all leadership development participants are from the same company and therefore share the same strategic imperatives (e.g. the Ford Leadership Education and Development Program discussed here).

While it seems obvious that leadership behavior needs to be flexible and tailored to the roles, responsibilities, and strategic and cultural context, too many leadership development approaches seem to prescribe a set "answer" to leadership. Any approach that claims to have the answer seems to be destined to resistance as "inappropriate" to other cultural settings or as "yes, but it is different in ..." across different functional areas. Such attempts are politely seen as "understandable" in the originating culture but ineffective and inappropriate in other cultural settings where "things and people are different here." The CVM allows for such differences and "characterization" to fit any local requirements. The CVM also provides a language and framework for discussion and mutual understanding.

Following is a description of a leadership development program that was designed and developed jointly by The University of Michigan Business School Executive Education and Ford Motor Company applying this deductive approach using the CVM and strategic imperatives. This program was the Leadership Education and Development (LEAD) program targeted at a global middle management population of approximately 3,000.

Defining Leadership Imperatives

The key feature of this approach using the CVM is identifying the strategic imperatives for management. The LEAD program, therefore, started with a presentation by a top executive in the organization's strategy function. The purpose of the presentation was to bring the competitive stage to life and highlight the critical imperatives. It was a powerful process. Many of the participants were unfamiliar with formal corporate strategic thinking and there was genuine appreciation of having a senior leader speaking to them personally. The remainder of the program focused on these imperatives: customer focus, quality, and continuous improvement.

Each session of the program consisted of approximately 50 participants from a "maximum mixture" of middle managers in the organization. This mixture meant there were participants from a variety of staff and operation functions as well as from different global regions. The group consisted of participants from sales, engineering, and manufacturing as well as public affairs and legal affairs; participants from Australia, Europe, and the U.S. They were all exposed to the same strategy and description of the competitive playing field. They were given opportunities to discuss the strategy as they saw it manifesting itself in their part of the organization and part of the world. This discussion helped reinforce the strategy and insure better alignment throughout the organization.

Creating a CVM Leadership Profile

The next part of the program was used to examine each of the three imperatives as they translated into leadership behaviors and requirements for each participant. This was the part where the CVM became particularly useful. Having a common framework allowed the participants to discuss the issues in a different manner. As an example, in examining the imperative, customer focus, the participants were divided into like functional teams, e.g. all the manufacturing participants were in one team, all the engineering participants into another team, etc. The task given to each team was to use the CVM and create a profile of their organization's current behaviors using the four quadrants. As might be expected, the manufacturing team would create a profile very strong in the hierarchy quadrant and weak in all other quadrants, while the sales organization would produce a profile very high in the market quadrant, mid-level in clan and adhocracy, and low in hierarchy. The teams were also charged to identify the profile their organization should

have if they were performing according to the customer focus imperative. Then, each group presented their analysis to the other groups. The various CVM profiles provided an immediate picture that everyone could understand. The presentations provided great fun and understanding about how the various groups perceive themselves, feedback from other groups on that perception, and discussion on the implications for leadership and organization performance based on the CVM profile of the preferred profile.

The CVM provided the basis for such analysis and discussion across all three strategic imperatives. It gave the participants a common way of discussing similarities and differences. From a leadership perspective, participants were always amazed that a functional counterpart from another geographic location was more similar than different. Participants saw that their functional culture, role, and responsibilities were a glue that held them all together. There were less geographic cultural differences in either issues or leadership behaviors than there were functional cultural differences within the overall organization, e.g. two sales people, one from Australia and one from Germany found they had more in common than differences, while a sales person and a manufacturing person both from Germany found significant differences in issues, assumptions, and ways of operating. Overall the LEAD program helped all participants understand these differences and work toward insuring these differences became complimentary and supportive in addressing the strategic imperatives rather than points of conflict. Using the CVM helped the participants understanding their functional differences were appropriate and useful as long as they resulted in an overall process that supports the strategic imperatives.

The CVM also helped the participants translate their organization profile into required leadership behaviors. It still allowed participants to translate those behaviors into appropriate actions within their own organization and within their own personal style as long as they were aligned with the same intent and outcome.

TWO ADDITIONAL APPLICATIONS OF THE CVM: COMPETENCIES AND PRESSING PROBLEMS

In this section, we describe two other ways the CVM has been used. First, we show how the CVM can be used to organize a list of leadership competencies. Second, we show how various organizational challenges can be linked to the CVM.

CVM and Categories of Leadership Competences

A common feature in most leadership development programs is some form of diagnostic feedback process. Typically participants receive feedback from direct reports, peers, their boss, and a self-assessment. This process is popularly known as a 360 degree feedback assessment. Such feedback processes consist of behaviorally based questions associated with a set of competencies determined important to effective leadership which feedback respondent's rate on a 1–5 scale based on their level of perceived performance and behavior.

The participant receives a feedback report summarizing the feedback. Some such reports cluster behaviors to create competencies and cluster competencies to create skill themes. Participants get a report showing a list of behaviors, skills, and competencies. Frequently, these reports provide information showing performance or behavior relative to an established norm group, divide the feedback by responded group type (peer, direct report, boss, other), and importance of the competency as determined by the boss and the participant. Still, the report is just a list.

The CVM is useful as a means of providing further information. Instead of representing the competencies as a list, the CVM allows us to show the competencies within the four quadrants and, therefore, show their relationship to each other. *Fig. 2* shows the competencies from the Personnel Decisions International Profilor instrument arranged according to the CVM four quadrants.

This representation helps identify the balance of measures associated with an instrument. The Profilor is seen to have a strong bias toward competencies associated with the left side of the CVM, those competencies associated with behaviors focused on internal to the organization. Further, it can be seen that there is a much greater measure of competencies associated with the upper left quadrant, that quadrant associated with people, collaboration, and communication. We are not saying that such a bias is good or bad. The worth of the CVM is allowing the user to understand the bias. Again, the value of seeing the relationship between the competencies and the weighting by number of measures in each quadrant provides the user additional information.

Analyzing the Bases of Organization Challenges

While we have tried to illustrate the utility of the CVM as a leadership development tool in designing programs addressing leadership development,

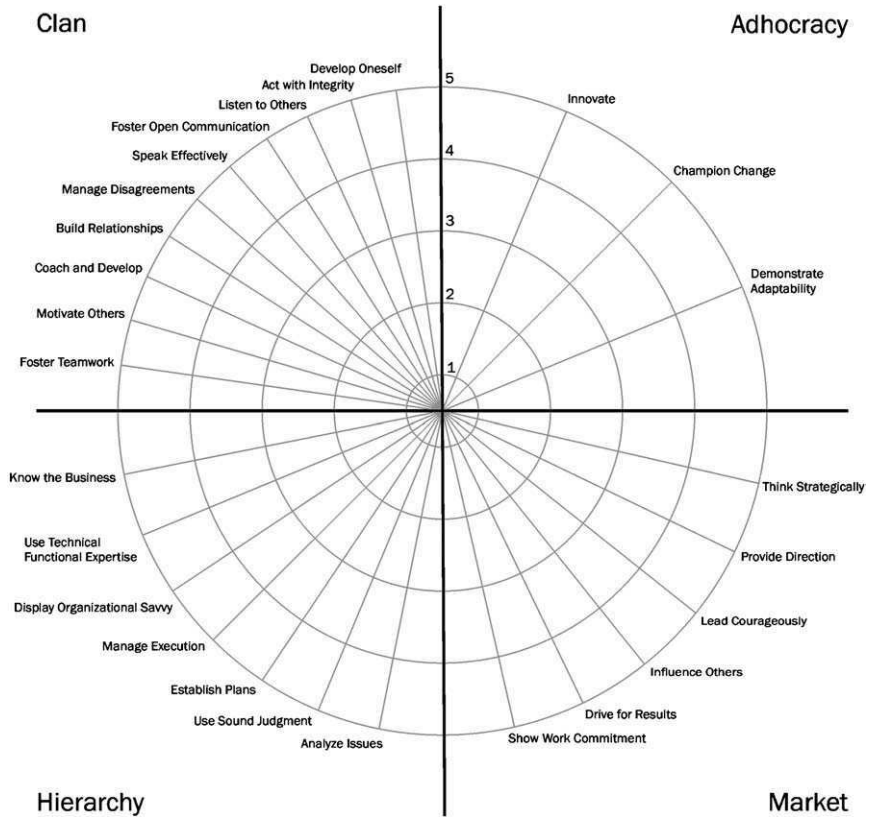


Fig. 2. PDI Profiler represented in the Competing Values Model.

other applications of the model demonstrate its power as an analytical tool for leaders. The University of Michigan Business School Executive Education collected information from Executive Education program participants concerning their ranking of problems their organizations were experiencing and addressing. Table 3 shows the problems they identified. Because respondents were from different geographic regions, we were also able to differentiate the importance of various problems according to regions. Understanding the priority of problems is useful and often critical for leaders in understanding what to pay attention to. The challenge is the struggle for attention: which problems are most significant and deserve leadership attention.

Table 3. Results from University of Michigan Business School Executive Education’s Pressing Problems Survey.

10.	Improving internal processes
9.	Maintaining work and life balance
8.	Aligning vision, strategy and behavior
7.	Improving customer satisfaction
6.	Staying ahead of the competition
5.	Producing high-quality good and services
4.	Managing time and stress
3.	Thinking and planning strategically
2.	Maintaining a high performance climate
1.	Attracting, keeping, and developing good people

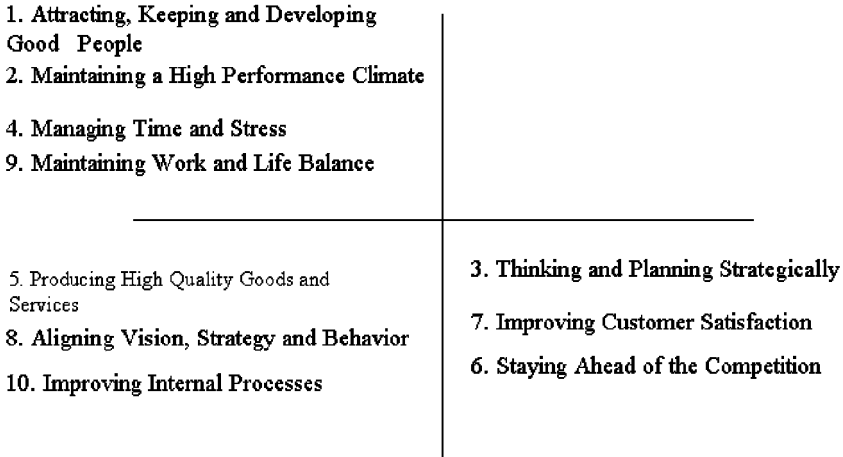


Fig. 3. Mapping the Pressing Problems onto the Competing Values Model.

The CVM is a useful tool to help us understand the bases of these pressing problems. While no problem is associated purely with a single quadrant, each problem can be determined to be predominantly associated with one of the four. Fig. 3 shows how the problems map onto the CVM quadrants. Figs. 4–6 show the results according to geographic regions.

Assigning these problems to the CVM quadrants shows that none of the problems is associated primarily with the adhocracy quadrant. This surprised us because there is so much discussion about the amount of fast-paced change leaders coping within organizations. One might expect this to translate into problems associated with the adhocracy quadrant.

1. Attracting, Keeping and Developing Good People 2. Maintaining a High Performance Climate 5. Leading Culture Change in the Organization 6. Maintaining Work and Life Balances 7. Managing Time and Stress 9. Obtaining Cross-Boundary Cooperation in the Organization	8. Stimulating Innovation in the Organization
10. Aligning Vision, Strategy and Behavior	3. Improving Customer Satisfaction 4. Staying Ahead of the Competition

Fig. 4. Pressing Problems by Geography Europe.

Figs. 4–6 show that the top 10 pressing problems differ across geographic regions. They also showed that assigning the problems to the CVM quadrants indicates that different problems may be more critical in different regions. This may indicate either a regional lack of a leadership capability or may indicate a higher priority to such problems. Seeing how the problems relate to the CVM quadrants may help people charged with leadership development to focus on skills related to these quadrants.

CONCLUSION: THE CVM AS A PASSPORT ACROSS DEVELOPMENTAL BORDERS

The challenges today for leadership development are many; constant changes in the competitive arena, the war for talent, outsourcing, etc. The need to develop leadership that can travel well is becoming a greater necessity. The power of a robust leadership and organization analysis framework such as the CVM is in the ability to be seen as applicable in many different cultural settings. While the CVM does not give specific “absolute answers” to effective leadership and organizational behavior, it does provide a basis for asking the right questions. The derivation of the answers allows for cultural and personal differences.

<ul style="list-style-type: none"> 3. Managing Time and Stress 5. Attracting, Keeping and Developing Good People 6. Maintaining Work and Life Balances 8. Maintaining a High Performance Climate 10. Empowering People 	
<ul style="list-style-type: none"> 9. Aligning Vision, Strategy and Behavior 7. Producing High Quality Goods and Services 	<ul style="list-style-type: none"> 1. Improving Customer Satisfaction 2. Thinking and Planning Strategically 4. Staying Ahead of the Competition

Fig. 5. Pressing Problems by Geography South America.

<ul style="list-style-type: none"> 1. Attracting, Keeping and Developing Good People 5. Maintaining a High Performance Climate 9. Leading Culture Change in the Organization 	<ul style="list-style-type: none"> 6. Stimulating Innovation in the Organization
<ul style="list-style-type: none"> 2. Producing High Quality Goods and Services 10. Supervising for Results 	<ul style="list-style-type: none"> 3. Thinking and Planning Strategically 4. Staying Ahead of the Competition 7. Improving Customer Satisfaction 8. Improving the Bottom Line

Fig. 6. Pressing Problems by Geography Asia-Pacific.

Our experiences have driven us to conclude that leadership effectiveness is not a “one right way” process. Rather, effective leadership behavior is a complex array of behaviors that need to interrelate and support each other in order to support the strategic intentions of a particular organization. What is required is to provide leaders with a “passport” allowing them entry to explore the processes of effective leadership and organizations anywhere

in the world they may find themselves. This passport must help them understand and adopt the various models and leadership behaviors that are necessary to be effective in different organizational settings with different strategic imperatives (e.g. a new start-up organization versus a stuck in the mud organization), different functional settings (e.g. a manufacturing function versus a research and development function), and different cultural settings (e.g. an organization in Shanghai versus an organization in Ann Arbor). What effective leaders need is a framework for understanding the environment they find themselves in and understanding how that environment impacts what effective leadership requires. We believe the CVM serves those needs extremely well.

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THE AGILE LEADER: CONDITIONS FOR SUCCEEDING IN CHINA

Juan Antonio Fernández

ABSTRACT

The present article takes a qualitative approach through interviews with Spanish managers to identify the challenges they face while leading small- and medium-sized companies (SMEs) in China. They share with us their experiences with the state bureaucracy, local employees and the market place. Based on these interviews, I developed a model of leadership named agile leadership. Developing the qualities of an agile leader is a critical success factor for the SME manager in China. This model is explained and some tips are given to develop the qualities of an agile leader.

Study the past to understand the new

– Confucius

It is customary to begin an article on China with numbers. Following this well-trodden path we will start with three: (1) 1.3 billion inhabitants; (2) an annual growth rate of 7 percent or more; and (3) uninterrupted growth at this level for over 20 years. Such numbers provide a siren's song to businessmen all over the world.

One of the very first things, however, that the managers interviewed warned us of is not to be deceived by such figures. The economic growth is extraordinary and palpable for those who live here, however, as most

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everyone has figured out, statistics can be deceptive. The following exercise will be instructive: take a hand and insert it into a bucket of icy water. Then put your other hand into a burning stove. Most likely you will find that even though you are experiencing average normal temperatures, you will not be very comfortable. Something like this also occurred to our Spanish managers, because in China there are great disparities on virtually everything. Thus, a major point all of these managers made is that one cannot speak of a single China with 1.3 billion potential consumers. Instead, China is a mosaic of needs and preferences. Each of these Chinas requires a different strategy.

The quote of Confucius at the beginning of this section cautions us to examine the past in order to understand the new. With this in mind, let us momentarily ponder some major points about China's history.

SOME HISTORICAL KEYS

China has been – and continues being – the most populated country in the world. It is at the same time, a large-scale human enterprise that has continued without major interruptions longer than any other, whereas the other great empires of humanity have long since been relegated to the dustbins of history. Admittedly, this great enterprise has had its share of “ups and downs” along the way. However, we think that it is especially noteworthy that the Chinese call their country *Zhong Guo*, which can be translated as the “Country at the Center of All Things” or “Middle Kingdom.” If one considers its long history and the enormous size of its population, at least in some sort of center of gravity sense this does not seem inappropriate.

There are several other aspects in this long history of China that provide insights into its present. For most of this history, China was headed by an emperor who had a nominal power over his vast country. This is to say that his authority came from Heaven with the obligation to maintain peace and stability within his realm. If the emperor was not able to maintain harmony in the country, it meant that he had lost the mandate of Heaven and, therefore, had to be replaced. This concept of social harmony continues being fundamental even today.

Another peculiarity is the great importance granted to the leader. An ancient Chinese saying goes, “When a soldier is incompetent, it is the problem of one; when the general is incompetent, it is the problem of all.” This concept extends to all organizations, including, of course, those chasing profits. Accordingly, the manager (in Chinese called the “*laoban*” meaning “old arranger of things”) occupies a very central position in Chinese

organizations. As such, he or she is like the center of a wheel; all spokes converging into it. If the center is weak, the wheel will not withstand the forces placed upon it and will collapse. In this sense, the employee loyalty is more directly focused on the leader that is the case in the West. For the Chinese employee, their relation with the leader is one of the main determinants that influences their permanence (or not) in the company.

Another important characteristic of Chinese history is the much smaller emphasis on a legal system to regulate society and to enforce promises. Contrary to Europe, a formal code of laws never existed in China until more recently. Indeed, throughout most of its eons of existence China never really had a formal constitution. There were few policemen and lawyers. Many Westerners are amazed that the country has remained so stable in the absence of much of a legal framework. Only with the opening of the country initiated by Deng Xiaoping (1904–1997) and the later entering the World Trade Organization (WTO) in 2002, has there been much of a push to develop a more formal body of laws.

If the power of the emperor was nominal and a legal system was not so strong, the reader may ask what form of glue has held the country together for more than 2,000 years. To answer this question, one would probably point to its bureaucracy. Indeed, Chinese had been using such a system for more than 2,000 years before the German sociologist Max Weber (1864–1920) established the principles of bureaucracy. Unlike the Middle Ages in the Europe – where the ruling class was formed by a nobility of military origin, in China the high ruling class was formed by those citizens who passed the imperial examinations. This, in effect, was an “aristocracy” based on intellect rather than blood. Indeed, the bureaucratic system was so effective that not only was the Chinese empire able to resist the invasion of various “barbarians” (the Mongols and Manchus, in particular) but in the end they were also conquered by the Chinese civilisation. The power of the state bureaucracy in China is something that has not fundamentally changed to this day.

Another key from Chinese history can be found much more recently – at the beginning of the 20th century. At this time, the country was obviously at a low point. So low, in fact, that European powers, anxious to take control of its immense market (this theme is, in fact, nothing new), began to impose various “treaty ports” along China’s Eastern coastline, through “concessions.” Such “concessions” being as often obtained forcefully as through negotiation. Notable, examples of the former are the Opium War (1839–1842) between China and the United Kingdom. As its name indicates it was a war motivated by the drug traffic. The Chinese authorities, justifiably

worried about a whole range of social problems resulting from an addiction to opium by large portion of its population, decided to make a stand against the drug traffic. So in 1839, the Chinese government decided to confiscate a British shipment of opium. As a consequence, the United Kingdom successfully declared war on China. At the Treaty of Nanking (1843), China was forced to pay a substantial compensation and to open five ports, including the island of Hong Kong. Other colonial powers demanded and obtained similar privileges. Such aspects of history (i.e., imposing drug addiction on a nation) should hardly endear the Chinese to Westerners. Indeed, the most popular term for foreigners in the Cantonese dialect is “gwei-lo” which translates – more or less – directly as “White Devil.” Interestingly, however, Chinese people are, at the same time, very polite and often look with mixed admiration to the West and Westerners. Indeed, the term “gwei-lo” is seldom used in malice and seems to have been accepted as a quaint and even charming curiosity by both sides.

In sum, there are several lessons from history that a Westerner should consider:

- the legal system in China is a recent development;
- deference to an authority figure in all organizations;
- importance accorded to maintaining social harmony; and
- ambivalent feelings toward Westerners.

These factors are present even today in modern China and certainly affect the way one makes businesses in this country.

Agility

Managers who work in China soon discover that agility is essential to their success. As I learned through my interviews, expatriate managers in China must be fast and agile to react quickly to changing rules and regulations; to respond to unexpected moves by their competitors; to negotiate with suppliers; to alter products, processes, and procedures to meet the needs of the heterogeneous Chinese market; to respond to cultural differences in employee behavior; to find and retain talented employees; to manage conflict with joint-venture partners; to manage their relationship with the home office; to manage unusual demands on their private and family life; and to learn from their mistakes.

In short, managers must be fast and flexible to respond to unexpected events in this new and unfamiliar environment. And they must be quick to

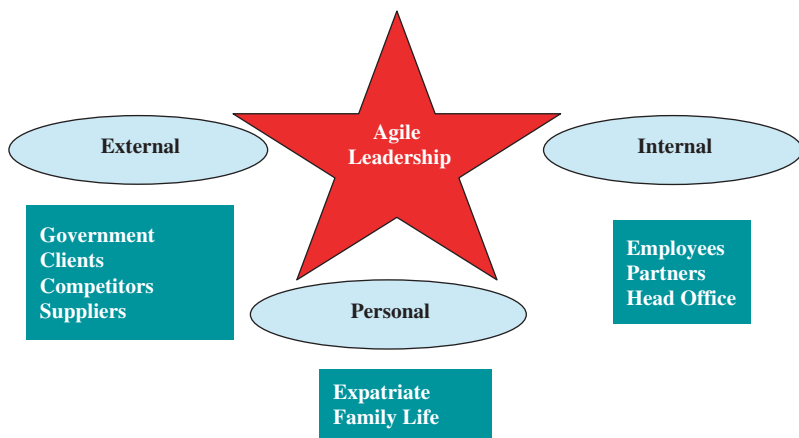


Fig. 1. The Three Dimensions of Agile Leadership.

respond to rapid change. I call this agile leadership. In the rest of the article, we will explore the three dimensions of the agile leadership model: managing the external environment, managing the internal environment, and managing one’s private life (see Fig. 1).

THE AGILE LEADER: THE EXTERNAL DIMENSION

Indeed, it is difficult to describe how beautifully all the laws of the Chinese, in contrast to those of other peoples, are directed to the achievement of public tranquility and the establishment of social order, so that men shall be disrupted in their relations as little as possible.

– Leibniz (1646–1716). Quoted in “The Chan’s Great Continent” by Jonathan D. Spence, 1999.

On his or her external relationships, the small- and medium-sized company (SME) manager in China has to deal with four sets of contacts: state bureaucracy, clients, competitors, and finally suppliers. We will cover each of these in turn.

Government

Something to be kept in the forefront of all SME managers’ minds is that China is a country in transition from a centrally planned to a market-based

economy. As Javier from Bank of Sabadell indicated, “China is progressing very rapidly and that is reflected in its laws and regulations. The country has changed very much in just six years. It is in the transition from the typical bureaucracy of a planned economy to a free market economy. And the two systems are in place simultaneously.” In this sense, the manager of an SME who arrives in China for the first time must be prepared to navigate in two very different economic systems – on the one hand, in a country with a state that remains very interventionist, while on the other, dealing with a market that is absolutely and fiercely competitive.

In China, the state remains interventionist but seems to be easing in some aspects of business. José Ignacio of Alsa indicated “It is necessary to know how to live with the state interventionism. Nevertheless, it is necessary to say that the tendency is to gradually approach a more European model.” That the situation is improving was recognized by all of the interviewees. Bureaucracy exists, but is not necessarily worse or better than in the West – just different. The manager’s frustration comes more from the lack of knowledge of the rules of the game than by being overwhelmed by the sheer volume rules. One of those rules is to have personal relations with the government officials – especially those who are directly involved in your business. This is because while regulations exist, there is often ample flexibility in both their interpretation and application. Accordingly, just to know key people at the administration is often not enough. One must be able to create an image of being a serious and responsible company that fulfills its commitments. Chinese bureaucrats will take more risks and be more flexible in applying the regulation if they trust the foreign SME. Such trust is not simply bought overnight, but earned patiently over time.

In fact, it is relatively easy to create a company in China within this flexibility if you know the right people (and have avoided offending the wrong people!). At least that was the experience of Juan Angel Garcia from Wingroup. As he put it, “The industrial zones help you to obtain licenses and permits. The problem is that rules are unclear, besides, they can change from one day to another.” There is also no doubt that the Chinese authorities actually favor foreign investors and are uniformly interested in attracting them to their projects. This is because it is widely perceived that foreign companies bring new technology, modern management systems, and create high-quality jobs. China has embarked in an enormous process of restructuring its state-owned sector. Given that many of these enterprises are not viable without subsidies from an increasingly unwilling state, this

means either privatization or outright closure. The right foreign investors can also provide much needed capital to salvage some such state-owned enterprises though joint ventures.

Another aspect that the interviewees emphasize is the different perceptions of chronological time between Chinese and the Western managers. José Ignacio of Alsa indicated “When we start a project we want to finish it as quickly as possible. For us, the more time we take the higher the cost. Our Chinese counterparts, on the other hand, take a very different view. For them it seems that they would rather invest time in getting to know the foreign partner ... and that, in the end, also benefits the project. For us the time is lost, for them is gained.” Juan Angel, of Wingroup says it very clear: “Patience, things here go more slowly than in Spain.”

A point to consider when one negotiates is that the other side will rarely say “no,” directly. Javier recounted his experience by saying, “When the Chinese do not agree to something, they always put many excuses but never say “no,” directly. It is not insincerity, it is a cultural pattern.” Chinese are pragmatic people and when there is the will they will always find a way. Far more conflicts are created by misunderstandings that due to bad-faith breaches of agreements. Indeed, in the case of discrepancies, the law is always the last recourse to solve disputes. The prudent SME manager should know that a short-term legal victory can easily turn into a long-term defeat. It is much more effective to establish and maintain good personal relationship and to avoid, whenever possible, creating personal enemies. As Javier said, “Personal relations are very important. While in Spain we resort to the law before an important difference; however, here the law is a reference and it is better to reach an agreement than to go to court. When there is a relation of trust among people, issues can be solved far better.”

A common practice in China is to give gifts to government employees. Here is not considered corruption as such gifts usually have little economic value. Instead, they are more a sign of consideration. José Ignacio is very clear on this point, “It is necessary to create a personal relation with civil servants. Giving small gifts is a normal practice here. It is not the same as corruption. It is something very normal to give a small detail of little economic value. It is necessary to understand that gift giving is part of their culture. In any case, I advise against using corruption to speed up things or obtain permits. This practice will backlash in the long run. It is much better that they see you as a serious company. That way they will respect you and you will receive a better treatment.”

Clients

One of the mistakes most frequently made by foreign SME managers is to consider China as a homogeneous, single market of a billion-plus consumers. China, in fact, is composed of a multitude of rather fragmented markets, each one with different levels of income, tastes, and necessities. Seventy percent of its population lives in rural areas and have per capita incomes of about 800\$. Shanghai, on the other hand, with a “mere” 14 million inhabitants has an average income approaching 4,000\$. Foreign companies usually prefer to invest in Shanghai, Beijing, and other large economic centers on the coast based on multiple considerations, such as better infrastructure, availability of local talent, income levels, and because they offer a good-quality level of life for their expatriates. Once a business has been developed in those areas, then thoughts turn to the rest of the country. This is a critical problem for consumer products companies since there is limited distribution networks established in China and there is not a modern system of payments.

On the other hand, the concept of “the market” remains a relatively new phenomenon for Chinese consumer. Not very long ago, only the State could decide what to produce and sell. As Javier said, “The average Chinese consumer is not yet very sophisticated. You only need to consider that the market has been working for most Chinese consumers for about 6–10 years. For them, from not having a television there is now there is a multitude of TV stations conveying commercial messages for everything imaginable. The Chinese consumer does a relatively quick search, compares offerings and is extremely sensitive to price.”

Because of the combination of price sensitivity, fierce competition, and steep experience effects, the battle between the companies in China is one of market share. Another notable aspect of the average Chinese consumer is his or her attraction to branded products – whether legal or not. The challenge for foreign companies is to create a brand image in China, but with a reasonable price. Consequently, it is fundamental to have a low production cost and a minimum initial investment. One of the most important pieces of advice for entering SMEs is to come with a long-term commitment and be prepared to develop the market incrementally.

José Ignacio in reference to his passenger transportation company noted, “When I came here 8 years ago, Chinese long distance buses did not depart for destinations until they were full. They were willing to wait for up to two days if it were necessary. My company established a fixed schedule and we always left on time independently of the number of passengers. Our Chinese

colleagues did not understand it and even said that we would lose money. The result was exceptionally good; we always filled our buses. Now all the other companies do just like us.”

Competitors

One of the most vexing problems for many foreign companies in China is counterfeiting. José Ignacio indicated, “Local competition is difficult because it does not follow the rules. They copy very well but they do not innovate.” On the other hand, it is politically difficult for a Chinese court to close a local company in order to protect a foreign one. Local competitors start from a very low base and for them the market rules are new. Consequently, they generally do not have modern marketing tools or systems of management. Nevertheless they learn very fast and are competing better and better every day.

Local companies have a great advantage over SMEs at the level of market knowledge and costs. Part of that advantage comes from labor costs. They do not need expatriate people and may locate their factories in inner China, where wages are much lower than in the coastal areas and big cities. Another advantage they enjoy is that they need make no investment in R&D, they simply copy Western products. That saves them huge costs. Chinese companies take a Western product that is successful and attractive for the Chinese consumer and simply add what little may be missing. They keep the advantages and eliminate the disadvantages. They copy practically everything. José Ignacio recounted how they copied his company’s buses, “We found one company that painted its buses almost exactly like ours. Now we have all our buses numbered in order to be able to identify our own.” In some cases, such competition may even come directly from governmental authorities that seek to control the market. As José Ignacio pointed out, “We opened a new line of passengers between two cities. We invested much in the development of that particular line. Once we demonstrated it was good business, the same authorities that gave us the license created a company to compete against us.” Local companies have cost advantage, better knowledge of the market, and are familiar with the rules of the bureaucracy. Their weak point continues being poor management systems, although they are also learning fast in this area.

All managers interviewed agreed that protection of Intellectual Property Rights (IPR) is one of the greatest challenges foreign companies face in China. In this sense, China’s integration into the WTO is, without any

doubt, a step in the right direction. Subsequent to accession, the Chinese government has promulgated a series of laws to protect IPR. Nevertheless despite the existence of new laws, a problem of their enforcement remains. One of the managers mentioned that although it is possible to obtain a favorable sentence in a counterfeit case; the real problem is encountered later when attempting its enforcement. In this regard Javier Serrado suggested, “Companies that come to China must be prepared to be copied. The problem is that the ordinary Chinese is not conscious that copying is illegal. It will take years for the culture to change.” Juan Angel, of Wingroup, agreed “Counterfeiting is a serious problem. The regulation exists, but when you want to stop it, it is already very late. The situation will be very different when counterfeiting begins to harm their own industries. Forty years ago Japanese copied from us and now others copy from them.” For Javier the competitive advantage of the foreign SME in China resides on other areas, “It is certain that they copy all, but models of distribution, marketing, and management systems are not so easy to copy.”

In this regard, it must be said that the Chinese authorities are creating a legal system in a very short time; however, the speed of change also means that the results have been uneven. As Javier of Bank of Sabadell indicated, “One should remember that the Chinese legal system is less than 50 years old. Thus, there are two problems in this country – the lack of laws in some areas and too many laws in others.”

Suppliers

Regarding suppliers, there are two main issues that should be emphasized. The first is in the form of a rule – prices are not fixed, everything is negotiable. As José Ignacio from Alsa commented, “We must change our way of thinking. In China everything, including price, is negotiable. They usually begin with a very high price, some times even scandalously high. However, it is simply a price to begin discussions. In my country, we might think that they want to take advantage of us; however, over time I have become convinced that it this is not really their intention.” Another issue pertains to collection of payments. José Ignacio pointed out, “It is necessary to be careful with default payments and breach of contracts. For instance, you contract with a company and they come out it did a lousy job. You want to complain and discuss a refund, but you find they have disappeared. In these matters it is far better to rely on a local partner, they will know with whom

to work.” Juan Angel added, “Cash collection is a very complicated matter in China. There is excessive price bargaining even after the contract has been signed. Besides, there is not a modern system of payments. Banks are not very sophisticated.”

An important element to consider is the language barrier. The Chinese language is very difficult to learn, and although one may attain a decent level of competence with a great deal of effort, one rarely arrives at the necessary mastery to be able to actually negotiate in Chinese. In this sense, SME managers must depend on interpreters. José Ignacio indicates the importance of interpreters in China, “The message we transmit depends almost entirely on the quality of the interpreter. For that reason, to have some knowledge of Chinese will make easier we transmit our intentions. In addition, interpreters won’t usually request that you repeat your words for fear you think they are not professional. It is necessary to be careful with that.” Your interpreter can be transmitting a message very different from the original one. On the other hand, there is also an issue of honesty. Some SME managers have learned that sometimes their interpreter had negotiated a commission with the other side for the purposes of biasing the outcome. Juan Angel commented, “When we are negotiating with a supplier, it is not rare that the interpreter is doing business at our cost.”

EXTERNAL AGILITY: SOME KEY POINTS

1. Have a long-term vision

It takes time to establish a business in China. Successful SMEs have done it by a process of try and error.

2. Adapt your products to the Chinese consumer

Do not try to impose your success formula from home in China.

3. Take care of your brand image

Foreign brands are in high demand (and, for that reason, will be copied). Do not forget to thoughtfully and professionally translate your brand into Chinese.

4. Do not think that China is a homogenous market

China is a very large country with huge variation among provinces. Establish prices based on the level of income of the province you want to go. It is advisable to employ a local marketing company.

5. Control your distribution system

Chinese distribution companies, sometimes state-owned companies, are not active selling and expect the foreign company to make all the sales effort.

6. Be nimble and expect the unexpected

Regulations change continuously, local competitors learn very fast, counterfeiters seem to learn even faster. There are enormous pressures on prices as more local competitors appear in the market. On top of that, you will probably find that all your foreign competitors are present.

THE AGILE LEADER: THE INTERNAL DIMENSION

(The Chinese Emperor) knows that, if his government is not good, he will lose his empire and his life.

– Montesquieu (1689–1755). Quoted in “The Chan’s Great Continent”
by Jonathan D. Spence, 1999.

The second dimension of the agile leadership model is made up of the Chinese employees, partners, and the SME central office.

Employees

Normally, a manager who arrives in China for the first time will attempt to apply the usual management practices he or she brings from their home country. This extends to such practices as setting objectives, empowering people, avoiding “micromanagement,” and so on. Depending on the country of origin, the style is usually more motivational than controlling. In China, however, this method does not totally work for SME managers because Western management systems are based on a set of assumptions that may prove tenuous in China. For example, while Western managers may assume a hierarchy of competent managers, one of the problems SME manager encounters is a lack of adequately prepared local middle managers. Juan Angel of Wingroup mentions, “In Spain I would count on my middle managers, but I do not have that luxury here.” In a certain way, the SME manager can be compare to an entrepreneur. Javier of Bank of Sabadell states, “In Spain there is an organization that supports you. Here you must worry about all sort of things yourself. The foreign manager of any SME in

China must handle a very different environment and act as a bridge with her people back in her central office in Europe.” All this requires a measure of dedication of willingness to work long hours far in excess of what would be expected in Spain.

Regarding local employees, José Ignacio comments, “Chinese are both pragmatic and learn very fast. They have a great capacity of assimilation. For example, our employees learn immediately Spanish. They have a prodigious memory.” Curiously, however, most would agree that their employees seldom think “out of the box.” José Ignacio provided an example of this, “If you request [our employees] to buy a stamp and they don’t find it where you told them, they will not look for it in another place because there were not told to do so.” Most expect their boss to give them detailed instructions. This is not due to lack of intelligence or desire to learn, such an ostensible “lack of initiative” has a cultural root. Most fear to making mistakes to the point they would prefer doing nothing to taking risks. Consequently, to obtain a measure of initiative on the part of most employees requires gaining their trust. Javier Serrado confirmed that Chinese labor force is one of the best he knows, but qualified this by saying, “They need training, constant promotion, and a pay in direct proportion to their performance. In return, you will have a dedicated employee totally committed to you.” He added, “The Chinese labor force when motivated has the highest productivity I know.”

In fact, in most respects employees in China are not that different to those in the West. Like everywhere, they are, by and large, intelligent, competent, and honest. The important thing is to identify the best of them, and for that it is necessary to be able to understand their way of thinking. To do this a foreign manager, once again, confronts the language barrier. Overcoming this requires good observation skills. Juan Angel comments, “Chinese are not accustomed to talk openly or to give their opinion. The only way to make them open up is to talk with them individually and to gradually gain their trust. It is necessary to give them a long time.” The Chinese employee looks at the leader’s example. When you have gained their respect and trust, then you will have loyal employees.

Another aspect to consider is salary. Many investors come to China attracted by the low labor costs. Nevertheless, labor costs vary hugely depending on the part of the country on the level of the employee hired. In the most developed zones (i.e., Beijing, Shanghai, and Guangzhou), the cost of an educated employee is not that dissimilar to Europe or the States. To make matters a bit more difficult, all foreign companies look for the same profile of people: English language, previous experience in foreign

companies and, if possible, with an MBA. While it may be possible to find such qualifications in these big cities, but supply continues to lag far behind demand. Consequently, one of the problems SMEs suffer in China is high employee turnover resulting from both the employees desire to be promoted and competitors willingness to poach talent from key competitors. This high turnover has made China the paradise of headhunter firms and will continue to be so for many more years to come. Indeed, it is not infrequent that the same headhunter to have found an employee for you, to tempt very same employee away a short time later. Thus, retaining good talent is critical. How? The managers interviewed agree in their answers: competitive wages, professional growth opportunities, and good relations at work (and especially with their boss).

Partners

A question many potential investors in China inevitably ask is with or without a local partner? Until recently, there was no choice as legislation most of the time imposed a Chinese partner to the foreign company. The government's purpose was to facilitate the transference of technology and Western systems of management to local companies. Not surprisingly, many of the imposed partners were state-owned enterprises in financial difficulty. In such situations, foreign investors were viewed as saviors by the Chinese partner. Like many forced marriages, however, the experience has generally been disappointing.

The fundamental problem is one of divergent expectations. The foreign partner usually has a short-term vision, whereas the Chinese partner is in their country permanently. This naturally leads to conflicts. Another important issue is the joint venture (JV) legal documentation. Although as was stated earlier, legal documents are generally less important in China, it is certainly a mistake to sign a JV agreement without first consulting with a local lawyer. The foreign investor must be aware that the valid documents are the ones written in Chinese and not the English ones. Inconsistencies must be resolved in favor of the Chinese documents. Frequently, the Chinese partner contributes with land and buildings to the JV and not cash. Accordingly, our managers recommend checking the legal situation of those assets. For example, the foreign partner could find out that they have to vacate land contributed by the local partner because the land use has expired.

Quite frequently, conflicts are due to miscommunication between both parties. José Ignacio from Alsa indicates, "The Chinese will never say he is unhappy with the foreign partner. One must be able to read between lines."

Javier of Bank of Sabadell adds, “I know quite a few companies that have had problems with their Chinese partners but I believe that, in many cases, the foreigner would have had the same problems with a German or any other partners of any other nationality. In some cases the problem lies in unrealistic expectations.” It is fundamental to know how to handle the relation and this requires time. José Ignacio shares his experience, “All the companies that we have here are JVs. The relation with the Chinese partner is very important. It is necessary to have a good understanding between us. It is fundamental to have common objectives and clear expectations, to acknowledge that each party enters the JV to gain something.”

Head Office

In addition to local communications, a fundamental aspect in the success or failure of the SME manager in China is his or her communication and support from the head office. Javier of Bank of Sabadell mentioned that one of his tasks was to act as a “bridge” between his China operation and the people back home, “Multinationals try to send their best people to China. They send a team of managers with much international experience. However, that is a luxury that SMEs do not have.” For José Ignacio of Alsa, communication with head office is the key, “My boss in Spain knows China and that facilitates much my work very much. People of the central office must know the reality here. They must be aware they cannot impose their expectations on us because this is a very different place from Spain.”

It is fundamental that the China office and central office agree on objectives. Having said that, the China operation has to make sure that these objectives are realistic and attainable or they set themselves up for failure in the eyes of the home office. The people at central office must be aware that China is not an easy market and has its own rules. The central office must provide the necessary support and understanding to the manager in China. Companies that have been successful are those who have given sufficient time to their managers to learn by making a few mistakes. Certainly, the person in charge of the China operation should not be changed at the first sign of difficulty. Doing so will only throw away valuable accumulated experiences. One manager commented, “The communication with the central office is the most frustrating part of my work here. They want to impose unrealistic expectations on me. However, there are things that can only be discovered here – not in Madrid. My central office wants to apply in China the business models that have worked elsewhere but not necessarily work

here. In China, the model that usually works best is a simple operation with a simple structure. People from the central office come here and visit Shanghai and Beijing for a couple days of each. Then they think they know China, but those cities are not the real China. It helps much to have somebody at the central office with international experience, preferably in a developing country. It is important that people at the central office listen and give us their support. I want people who understand me, that knows what means to live and work here. That is what I want from them.”

INTERNAL AGILITY: SOME KEYS

1. Keep operations and structure simple

Fixed costs must be minimum in order to lower the break even point. Create the production capacity in line with the real demand.

2. Continuously improve

Do not think that because you have initially been successful in China, you are going to be successful in the future. It is always necessary to constantly improve your processes, and create new products.

3. Recruit people for their competence

When hiring local employees, pay more attention to their competences and somewhat less to their knowledge of English. Expect low loyalty to your company.

4. Provide training and professional growth opportunities

Owing to the high turnover of talented employees, you will need to continuously train new employees. There is great scarcity of middle managers.

5. Have a personal relation with your employees

Know your people, care about their interests. Create a relationship of trust. Chinese employees are loyal to the individual and no so much to the company.

6. Maintain frequent communication with your central office

To manage in China is a challenge. You are continuously losing part of your management team, your products are copied, and the regulation frequently changes. Your central office, 10,000 miles away, often does not understand this. Maintaining constructive relations with them can be one of the most frustrating tasks you will face.

THE AGILE LEADER: THE PERSONAL DIMENSION

The great misunderstanding that prevails concerning the rites of the Chinese arose from our judging their customs by our own; for we carry our prejudices and spirit of contentions along with us, even to the extremities of the earth.

–Voltaire (1706–1716). Quoted in “The Chan’s Great Continent”
by Jonathan D. Spence, 1999.

We enter the last element of the agile leadership model: the personal side. This section includes the expatriate and her family life.

Expatriates

Expatriates are necessary at the beginning of the SME operation in China. Nevertheless, they represent a huge cost for the company. SMEs cannot afford to have many expatriates. Instead, they must settle for sending one or two managers to China who usually make frequent trips back to the central office. In the long term, the ideal situation is to replace the expatriate manager with locals (i.e., to localize them). This process must be done gradually considering the risks. The usual way to localize the position is to have a local working closely with the expatriate. After some time if all goes well, perhaps after one or two years, the SME may consider sending the local manager to the central office so that they get to know the people and systems there. Indeed, one of the expatriate’s most important tasks is to identify and develop a successor. In other words, for most foreign companies in China, the ideal expatriate should be working themselves out of a job!

SME managers in China must be generalists, with good knowledge of all the functional areas. They must have leadership qualities at both the strategy formulation and implementation level. They need to be good communicators not only with the Chinese but also with their central office. They must deal well with adversity and uncertainty, and have decision-making capacity in a market with little transparency and in continuous change. They must be an example to follow to her employees and must have faith in themselves.

Javier highlighted two key characteristics of a successful manager in China – having common sense and being flexible. Juan Angel talked about the importance of forming a trusting relationship with employees, “if [employees] believe that you are a good leader, they are going to follow you faithfully.” Juan Angel adds, “It is necessary to give example of competence, seriousness and honesty.”

In principle, an assignment to China of less than two years is not advisable. China is a complicated country and it requires ample time to get to know it and to obtain results. Indeed, China is so different that it is simply not realistic to expect any manager to be effective after a few months. It is also very helpful to prepare the candidate before moving him or her to China. To some extent, intensive Chinese language instruction and a crash course on cultural and its business etiquette may help, but at the margin. José Ignacio comments, “When you arrive to China you immediately realize you have become illiterate. You cannot read or understand anything, you feel isolated by the impossibility of communicating with the people around you.”

Another important issue is transition between SME managers. Our interviewees recommend gradual transitions between the departing and the incoming general manager. In this way, valuable experience and insights are not lost ... especially those that have been particularly “hard won,” ones that should not be repeated. Finally, the SME manager will face many challenges and is always an advantage to send professionals with previous international experience.

Private and Family Life

The life of the SME manager has advantages but also implies important sacrifices. On the one hand, they enjoy a freedom and autonomy that would be impossible at their home office. On the other, it demands an enormous sacrifice in terms of personal life. Javier of Bank of Sabadell explains, “It is necessary to be ready to work without a fixed schedule. The family life will be the one that the work allows you. You cannot expect an 8 hour working day, holidays, etc. You must be prepared to make sacrifices. But it is even more difficult for your family, your spouse. I have seen many cases of foreign managers who have gone back home because of the spouse.”

José Ignacio of Alsa comments, “The foreign managers that fail often do so because they haven’t adapted to living in China. Things like the food, the lowness, to be far from the rest of the family in Spain. Many people have failed due to the spouse’s problems of adaptation.” Another manager comments, “My wife is alone most of the day. Before coming to China she was a manager in a company and now she is a housewife. She is doing a great sacrifice and the company should be aware of it. People at the central office think that I am lucky, they only see the great salary, the luxury house and the car with driver, they do not see all these sacrifices one has to do.” José Ignacio comments, “I think it is important that the person who comes to

China has interest in its culture and not only comes for the salary. The manager that is only motivated by the money will have problems of adaptation.” Juan Angel summarizes the life of the expatriate in China very well, “Life out of work? Very little.”

PERSONAL AGILITY: SOME KEYS

1. Be entrepreneurial

The ideal SME manager in China has the qualities of an entrepreneur and has to be a generalist with experience in all functional areas.

2. Capacity of sacrifice

Come prepared for working without fixed schedule and little personal life out of office.

3. Be prepared before coming to China

Knowing the language and its culture will be very helpful. Be a good observer and have an open mind. Do not judge persons negatively simply because they are different.

4. Take care of the well-being of your family

The life in another country always supposes sacrifices. Prepare his family. It is important that they have a good understanding of what they will find.

5. Use common sense

Patience and personal relations are the key to succeed in China.

FINAL THOUGHTS

China is not an easy market. Many of the foreign SMEs in China lose money. One of the reasons for this is that they invested in an excessive structure. Many of these companies have wrongly invested thinking of 1,300 million Chinese consumers, and dreaming of economies of scale. They did not understand that the challenge in China is not to produce, but to sell and distribute what you produce. Normally there are two phases in any investment in China. The first one is “to go and see,” and the second one is “to arrange or leave.” Many companies have come to China just to

see how it goes, but this is the wrong approach. Javier of Bank of Sabadell warns about coming to China if this is the first international investment of the SME, "This is a very competitive market. It is necessary to have international experience first. Some SME started by exporting and, after some years, made their first investment. It is a long process of learning. The company must have a very clear strategy." To be successful in China, one must plan well from the beginning. In spite of the difficulties, José Ignacio declares, "Any company with international aspirations must be here. It is not necessary to come to China for what it is now but for what it will be in the future, for the potential of this country in the long run."

All the SME managers in China interviewed agreed on the importance of coming with a long-term project. Juan Angel explains, "Manufacturing companies have no choice but to come here if they want to survive in their own markets. One does not come just to reduce costs, but because your competitors will do it and you will lose your traditional market." José Ignacio agrees with this view, "It is necessary to come with long term plans. Besides, one must understand that it is difficult to be successful in a short time. It is necessary to be patient." Those companies that succeed have realistic expectations, good knowledge of the market, and are committed to stay.

China is a great experience for those executives that like independence and have a pioneer spirit. However, they will find in China a very daunting task. They will have to manage in a challenging environment, without a well-prepared team of middle managers, with high personnel turnover, with the constant threat of the competition, pressure on prices, and counterfeiting and, in occasions, with the incomprehension of their home office. They will face all these at the same time. The SME manager must focus on a few essential things: a light structure, a simple marketing, resistance to adversity, and agility. They must be fast and flexible to react quickly to unfamiliar situations and rapid change.

I would like to end this article with a comment from another Spanish expatriate in China, Domingo Navarrete stated quite aptly, "The Chinese are very ingenious at imitations. They have imitated to perfection whatever they have seen brought out of Europe. In the province of Canton they have counterfeited several things so exactly, that they sell them inland for goods brought from Europe." The reader will think, this has already been said earlier in this article, so what is new? Precisely, what is new in this comment is that it is not new. Domingo Navarrete was a Spanish Dominican who lived in China from 1659 until 1664. In China many things are in turbulent change, while other things do not change and probably never will.

Managers interviewed for this article are

- Mr. Javier Serrado, Representative of Banco de Sabadell in Beijing,
- Mr. José Ignacio Bethencourt, General Manager, Alsa Group, and
- Mr. Juan Angel García, General Manager, Shanghai Wingroup Leisure & Sport Equipment Co., Ltd.

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POSITIVITY IN THE MIDDLE EAST: DEVELOPING HOPE IN EGYPTIAN ORGANIZATIONAL LEADERS

Carolyn M. Youssef and Fred Luthans

ABSTRACT

In this chapter, we draw from the emerging positive organizational behavior movement to describe the role that hope can play in the effectiveness of Egyptian organizational leaders. After providing a brief review of the theory and research on hope, we suggest ways that hopeful Egyptian organizational leaders can be developed and “hopefully” thrive in these times.

The purpose of this chapter is to apply our recently proposed approach to positive organizational behavior, or simply POB (Luthans, 2002a, b; Luthans & Youssef, 2004; Youssef & Luthans, 2003), to today’s Egyptian organizational leaders. Specifically, in this chapter we focus on hope, and show its applicability and relevance to Egyptian organizational leaders. We propose that Egyptian organizational leaders’ effectiveness at all levels can be enhanced by being hopeful and instilling hope in others.

In the next section, we introduce the POB approach and present a review of recent research on hope. Then we provide background on the Egyptian context. Finally, we provide practical recommendations on how Egyptian organizational leaders’ hope can be developed and applied.

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THE POSITIVE ORGANIZATIONAL BEHAVIOR (POB) APPROACH

Following the lead of the positive psychology movement (e.g., Seligman & Csikszentmihalyi, 2000; Snyder & Lopez, 2002), POB shifts attention from what is wrong in the workplace (e.g., unmotivated, dysfunctional employees, burnout, and stress) to the strengths and positive psychological capacities of people that lead to high performance and success. Specifically, Luthans (2002b, p. 59) defines POB as “the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed and effectively managed for performance improvement in today’s workplace”. The POB approach then identifies several positive psychological constructs, including self-efficacy, hope, optimism, and resiliency, that provide new insights into organizational behavior and meet POB’s criteria of usefulness: the construct must be based on sound theory and research, it must be measurable, and it must describe an attribute that can be developed and managed to improve performance. Although all the concepts of POB could be applied to organizational leadership in Egypt at this time, especially since 9/11, in this chapter we focus on hope.

THE THEORETICAL UNDERPINNINGS OF HOPE

From a positive psychology and a POB perspective, hope entails a lot more than positive thinking, and advice and encouragement offered by friends, relatives, and counselors in times of adversity. Through the years there have been many attempts to study and measure hope, and initially the approach was primarily clinical and focused more on hopelessness and mental illness, i.e., the traditional negative psychology approach. In contrast, in recent years a new approach based on positive psychology and now the POB approach can be found in the extensive theory and research of clinical psychologist, C. R. Snyder.

According to Snyder and colleagues, hope is “a positive motivational state that is based on an interactively derived sense of successful (1) agency (goal-directed energy) and (2) pathways (planning to meet goals)” (Snyder, Irving, & Anderson, 1991b, p. 287). In other words, a strong sense of agency or willpower, and pathways or waypower, combine to create a mindset called hope. “Agency”, includes the determination and energy invested toward goal achievement as well as the internalization of that sense of agency. The second factor, “pathways”, is the capacity to generate multiple

alternative ways to accomplish goals if the original ones are blocked. Unlike other POB constructs, which emphasize one or the other of these two factors, hope gives them equal, additive weight, so that one's hope level is the cumulative level of perceived agency and pathways resulting from the continuing analysis of these two factors. This is unlike most of the typical dictionary definitions or everyday usage of hope as well as many previous clinical discussions about hope, which emphasize positive perceptions and expectations to achieve goals, but not the means to achieve them.

Although from a POB perspective hope is a cognitive set derived from a cognitive process, this does not make emotions irrelevant to it. Under Snyder's (Snyder, 2000; Snyder, et al., 1991b) theory, positive emotions follow from hope. When people believe that they possess sufficient agency and pathways to succeed in a specific situation, they perceive a high probability of attaining their goals, and they focus on success rather than failure. These cognitions produce positive emotions and a sense of challenge as actions are conceptualized and undertaken to move toward achieving goals. On the other hand, those with low hope perceive insufficient agency and pathways, and consequently low probability of goal attainment. This is likely to lead to negative emotions and a focus on failure (Snyder et al., 1991b). Therefore, high-hope people experience less negative emotions than low-hope people when they are faced with blockages in the pursuit of their goals, primarily due to their willingness and ability to generate and utilize more alternative pathways.

According to Snyder, hope can be both dispositional and situational (Snyder et al., 1991a), making it amenable to learning and development (Peterson & Luthans, 2003; Snyder et al., 1996). Emerging research supports this view, showing the importance and developmental nature of hope in the workplace (Adams et al., 2002; Luthans & Jensen, 2002; Luthans & Youssef, 2004; Peterson & Luthans, 2003; Youssef & Luthans, 2005), and its applicability across cultural settings and populations (Luthans, Avolio, Walumbwa, & Li, 2005; Luthans, Van Wyk, & Walumbwa, 2004; Youssef & Luthans, 2003). In addition, there is considerable research evidence indicating that hope is positively related to success in various life domains such as academic and athletic achievement, mental health, survival, and coping beliefs (see Snyder, 2000, for comprehensive reviews).

HOPE FOR EGYPTIAN ORGANIZATIONAL LEADERS

Applying Snyder's model of hope to Egyptian organizational leaders seems overlooked, but it should be useful to help them meet the challenges they are

facing now. However, before discussing how hope might help, a brief description of the Egyptian context is necessary.

THE EGYPTIAN POLITICAL ECONOMY

Egyptians have had a rich political and military history through the ages. They survived hundreds of years of occupation, as well as World War I and World War II, and successfully drove out occupiers from almost every power and civilization in world history, including the Heksoos, Persians, Romans, Abbasids, Mongols, Turks, Fatimids, Ayoubids (Kurds), French, British, and most recently the October 6, 1973 War ending with the Peace Treaty with Israel.

Historically, Egypt's strong economic sector has been agriculture, with the fertile banks of the Nile River, the longest river in the world, being its primary resource. Tourism is also very important in Egypt, due to its historical attractions as well as its beaches and beautiful weather. Recently, however, tourism has been hit hard due to terrorist attacks on tourists as well as the general political, economic, and cultural turbulence in the area post-9/11. Industry in Egypt is still developing, with its main focus on manufacturing assembly, although more basic industries such as food processing and ready-made garments are gaining international market appeal. However, issues related to quality standardization and consistency remain must be resolved if Egyptian products are to be established in world markets. The newest initiative is to become and remain ISO certified. Being in control of the Suez Canal has also given Egypt an important position in world shipping and a significant source of income.

A huge domestic construction sector exists and is still growing because of increasing population and the resulting expansion of cities into the deserts. More than 90 percent of the million square kilometers of Egypt are deserts. This means that Egypt's population of over 70 million is living on less than 100,000 km² of arable land.

Egypt is a major aid recipient and has considerable international debt. However, economic reform efforts, including privatization, are gradually removing inefficiencies. Developmental efforts are operating on the economic and social frontiers to build efficiencies into the economy. The entry of many outside multinational corporations such as American Express, General Motors, Hyundai, Kodak, Nestle, Pfizer, Procter and Gamble, Schlumberger, Shell, Thomas Cook, Unilever, Xerox, and many others into Egypt has led to a degree of economic stability, good jobs, and has introduced the concepts of modern management.

THE EGYPTIAN CULTURAL MILIEU

Egyptians tend to be conservative, with religion being a major ingredient of the cultural mosaic. Egypt has a large majority of Sunni Muslims and a small minority of Christians, with the majority of Christians being Coptic Orthodox, and the rest being Protestants and Roman Catholics. People normally take their parents' religion. In such a religious culture, people are quite observant of their behavior and dress, both as a matter of social desirability, and to avoid bringing blame on their religion.

Cultural collectivism dominates the Egyptian society, with extended families and family ties being very important. Children normally live with their parents until they get married, and sometimes even share their parents' place after they get married due to their tight economic resources and the scarcity of affordable housing. Children are expected to support their parents at old age. However, this collectivism does not necessarily translate into patriotism. People may be loyal to their immediate families, to their extended families, to their neighbors, and to their friends and acquaintances, but not necessarily to their political leaders and current situation. Most of the youth are looking forward to finding opportunities to emigrate, or at least to get work contracts abroad. They generally see little hope, if any, in the future of the country. Sabotaging public transportation seats, writing on building walls, littering, breaking traffic lights, and other destructive behaviors are commonplace by children and adults alike. This behavior usually extends to the workplace, where personal abuse of business resources takes place, and in most cases is even accepted as the norm.

Despite the currently adverse economic and social conditions, being under the lens of negative world opinion post-9/11, and non-patriotism, paradoxically Egyptians still take pride in their 7000-year civilization. Regardless of their age, educational level, or socioeconomic status, Egyptians know and tell everybody they come across about their ancestors, the pharaohs. Egyptians generally believe that their deep ancient historical roots will somehow lead them into a new civilization, and that is what keeps them going.

THE BASIS FOR HOPE IN EGYPTIAN SOCIETY

With the above brief overview of Egyptian environment and culture serving as a point of departure, this seems an opportune time to examine the implications of a POB approach to today's leading Egyptian organizations. Historically, the Egyptians' tremendous achievements, including surviving hundreds

of years of occupation, indicate considerable determination (willpower). Moreover, taking into consideration the limited resources available for Egyptians to go into such wars, let alone to win them, such successes indicate a strong sense of waypower that may be indicative of their strong cultural values and beliefs in their ability to generate pathways to accomplish their goals.

We propose that this strong historical legacy may apply to today's Egyptian organizational leaders. The ability of Egyptians to survive, and some of them to thrive, despite adversities and setbacks, implies high willpower and waypower. Even when many Egyptians express their desire to emigrate or work abroad, and apply to every venue to achieve this goal, this may not reflect hopelessness. On the contrary, it may in fact reflect a high level of hope that goes "outside the box" to look for alternative pathways, even if they may be riskier and may result in enormous uncertainty and drastic change. For some, these may seem like acts of desperation. But when taking into consideration the proportion of successful and satisfied Egyptian immigrants, one cannot deny their determination to achieve their goals, their confidence in their abilities, and, in terms of hope, their capacity to create alternative pathways to accomplish their dreams.

WHY HOPE IS LOW IN EGYPT

Despite this heritage, one cannot ignore the impact of hardships and obstacles on undermining the hope of many Egyptians, and leading to acts of desperation that reflect ultimate hopelessness. Suicide bombing and crime are extreme examples. Less radical symptoms of low hope such as apathy, disengagement, counterproductive behavior, and sabotage, can also have a negative impact on performance.

The presence or absence of hopeful, charismatic leaders can also affect hope. Many times, a hopeful charismatic leader can instill a sense of willpower and waypower in his followers. For example, a closer look at the story behind each Egyptian military victory in history clearly highlights a charismatic leader, one who emerges after many years of hardship, to set the country and its people free. Due to its control over the Suez Canal, and consequently its importance for trade, Egypt was often the target of foreign occupiers. Unfortunately, removing one foreign occupier often made the job easier for the next, because native leaders were often lax, making Egypt susceptible to another occupier.

This historical evidence implies that there may be a strong relationship between the leaders' level of hope and that of their followers. If leaders are

perceived to own the willpower and waypower to free a country (or to place it under the burden of occupation), then the followers' level of hope is expected to depend on the leaders'. This relationship would seem to be manifested in the workplace as well as in the political arena. Due to inadequate technology and excessive bureaucracy, little can be accomplished in Egyptian organizations without "access" to those in charge. For the willpower to even try, and the perception of waypower to even exist, associates need to identify with their organizational leaders who they believe can be their connection to sources of power and authority. In other words, hopeful organizational leaders are necessary to instill a sense of agency and the perception of pathways, i.e., hope, in their associates. Since highly charismatic leaders are not the norm for Egyptian organizational leaders, and since a long time period usually elapses before such a "heroic" leader emerges, this can explain the reason why in these times so many Egyptians' level of hope is very low.

Finally, there tends to be a sense of fatalism among Egyptians that may be associated with being historically an agrarian economy almost completely dependent upon the flooding of the Nile. This external dependence, and consequently perception of vulnerability and lack of control, is further enhanced in the present by Egypt's high reliance on the tourism industry. Unfortunately, tourism fluctuates depending upon the geopolitical environment in the region and it is currently very negative in the world's perception.

The business activities of multinationals in Egypt are strongly affected by the same current geopolitical factors, which have resulted in downsizing and divesting because of the current threats on their assets and operations. After 9/11, even the United States, commonly viewed as the world's political and economic leader, the main aid donor, and where the headquarters of most multinationals are, were proved to be vulnerable to the same threats of terrorism that have been plaguing the Middle East for decades. This may help explain why the level of hope of Egyptians in general, and Egyptian organizational leaders and their associates in particular are at a low level.

IMPORTANCE OF DEVELOPING HOPEFUL EGYPTIAN ORGANIZATIONAL LEADERS

In these difficult times, we suggest that the presence of hopeful Egyptian organizational leaders is especially important. Recently, we have introduced an authentic leadership development model (Luthans & Avolio, 2003; Avolio & Luthans, 2006). This approach emphasizes the importance of leaders who

are not only charismatic or transformational (providing intellectual stimulation and individual consideration to their followers and promoting their development into leaders), but who are also confident, hopeful, optimistic, and resilient. Because such leaders demonstrate behaviors that reflect confidence, hope, optimism, resiliency, transparency, and ethics, they are capable of developing their followers to become as positive as they are. This process results in the “cascading” or contagion effect of positivity and authenticity from leaders to their followers, even to the lowest levels in an organization.

Clearly, hopeful organizational leaders are needed in these difficult times in Egypt to help others regain their sense of agency and to support them in their pursuit of alternative pathways. In addition, especially in these uncertain times, employees want leaders whose behavior, personality, and style are consistent over time and situations, rather than leaders whose hope level changes with the situation at hand. That is why organizational leaders need to be both dispositionally hopeful as well as having a high-state hope level. Although authentic leadership development is a long-term process, the POB dimensions such as hope can be developed more quickly and have a direct effect on organizational leadership.

Building on the emerging empirical research showing the positive impact of hope on performance, we believe that Egyptian organizational leaders who have the willpower and the waypower components of hope should perform better, overcome the obstacles they face, and design alternative pathways to achieve desired goals. Through modeling hopeful behavior and developing their associates’ hope, they are likely to have higher-performing, more satisfied, and more committed employees, and consequently higher-performing units. Organizations with hopeful leaders and hopeful employees are likely to have higher chances of survival despite the current turbulence, and to have sustainable competitive advantage.

PRACTICAL IMPLICATIONS

To promote hope in the Egyptian workplace, it follows that effective organizational leadership can be enhanced by selecting leaders with high dispositional hope, developing situational hope, and encouraging leaders to spread hope among their followers.

SELECTING FOR DISPOSITIONAL HOPE

Dispositional hope is more stable and consistent than state hope. This makes it much needed in today’s Egyptian workplace in order to create the

stable environment needed to instill the psychological sense of safety and security necessary for enhancing employees' performance. Recently, Popper and Mayseless (2003) have highlighted the analogy between transformational leaders and good parents, and have proposed that leaders provide their followers with a "safe haven" and a "secure base" that are necessary in order to develop their followers' positive psychological capacities. As discussed earlier, in the traditional Egyptian culture, leaders have been the owners and endowers of hope, through their charisma, determination, and access to the resources and connections necessary for pathways to materialize. Since leaders can have a substantial influence on the hope level of their followers, we would argue that Egyptian organizations need to make an effort to select and hire dispositionally hopeful leaders at all levels, and to make hopefulness one of their reward criteria. This approach is likely to be a challenge for traditional Egyptian organizational cultures where guaranteed lifetime employment is taken for granted, and where salary and promotion based on seniority are the norm.

DEVELOPING SITUATIONAL HOPE

Snyder's (2000) research shows that as state hope is developed, over time dispositional hope also increases. This is good news for Egyptian organizations where hope is currently at a low point. As we have pointed out, because hope can be state-like, it can be developed. Some of the approaches to this developmental journey of hope are just as applicable in Egypt as in the United States. Others are more specifically applicable to Egyptians, and possibly to similar cultures, and/or to similar times of uncertainty and turbulence. In the next section, we discuss ways to increase willpower and waypower.

DEVELOPING WILLPOWER

Effective Goal Setting

One of the ways to develop hope in Egyptian organizational leaders and their associates is to set specific goals. Subsequent developmental approaches should then emphasize the enrichment of willpower and the waypower (action plans, scenario, and "what if" planning) to achieve those goals. However, for people to have goals that are productive rather than self-serving, their organizations must have goals, and individual, group, and

organizational goals must be aligned. And for an organization to do this, it needs a vision, mission, and strategy from which its goals and objectives emerge. Many Egyptian companies ignore the importance of such strategic management. If the Egyptian organization does not have global goals to aspire to, that are properly designed and communicated, it cannot expect its business unit and departmental leaders and their associates to have effective goals, since they do not have a framework within which to set goals for their respective units. Such an organization (or country!) can fully expect hopelessness to prevail.

Goal-setting training can greatly contribute to the hope development process. Most people need help in setting their goals, especially in a culture such as Egypt, where most of the young people had their lives planned by their parents until the time they got married, or even afterwards. Stretch goals can also help people to accomplish more than their normal performance.

Mentoring would be an example of an effective, although less structured, approach for supporting and nurturing those who need assistance in setting their goals. Mentoring would be very compatible and accepted in the Egyptian business environment, which is dominated by a paternalistic orientation. However, mentoring does require a significant time investment on the part of the leader, and both training and mentoring usually require significant financial investment on the part of the organization, and substantial top management commitment and support. The high power distance that characterizes the Egyptian culture may also cause initial resistance to such approaches by leaders.

Participative Decision-Making

Participative decision-making can also prove to be a very useful approach to increase buy-in and ownership of goals. Participation and involvement in goal setting are likely to enhance goal internalization. Moreover, organizational leaders and their associates who participate in setting the goals of their units and organizations are more likely to align their personal interests and goals with those goals, which ensures that the collective goal is in everybody's interest. Participation also increases the likelihood of commitment to goals.

Performance Appraisal

To build hope, goal setting and participative decision-making must be incorporated into Egyptian organizations' performance appraisal (PA)

systems. Owing to paternalistic management being deeply rooted in the Egyptian business heritage, extending from the dominant father figure and subordination to family elders that are part of the ascription cultural values, PA systems can be modified into two consecutive stages. Initially, PA should be goal-based rather than task-based. Many companies, including multinationals in Egypt, utilize performance evaluation forms that are no more than a list of tasks with a scale attached to each task. For hope development, these traditional PA forms need to be replaced with priority goals, which can be broken down into smaller sub-goals and milestones for more frequent assessment (referred to in the hope literature as “stepping”). Moreover, Egyptian organizational leaders should include participation itself as one of their goals with associates. Participation and resulting ownership on the part of leaders and associates should be encouraged and rewarded as a goal in and of itself. The second phase of PA would involve evaluating Egyptian leaders and associates on how well they set their own goals rather than on how well they fulfill the goals set for them by others. Goals can be evaluated regarding their quality, foresightedness, alignment with unit and organizational goals, specificity, measurability, achievability, practicality, rationality, creativity, and so on. Again this highlights the importance of training, empowerment, and delegation, which are necessary preconditions for not only holding Egyptian organizational leaders and associates accountable for goal setting and accomplishment, but also building hope.

Some of the established approaches for goal setting and tying performance to goals can be particularly relevant to the Egyptian organizational leadership situation. For example, management by objective initiatives can help instill the agency/willpower for goal achievement. On the other hand, especially at this developmental stage, setting goals that are too high is likely to prematurely kill a developing sense of agency and suppress hope. Also, if Egyptian leaders feel that they do not possess the means to design effective pathways toward the goals, they are not likely to be hopeful.

Personal Motivation from Goal Alignment

Besides the role that goal setting and PA can play in hope development, another major input must come from motivation. Organizational goals that are aligned with individual and group goals can in themselves generate the necessary willpower to achieve them. There are also numerous incentives available, but essentially in these times in Egypt, these need not be financial in order to enhance the agency or willpower component of hope. Social

recognition and positive feedback can be effective contingent reinforcers in the workplace (Stajkovic & Luthans, 1997).

DEVELOPING WAYPOWER

The Need for Resources

A key factor in developing Egyptian organizational leaders' waypower is having the full range of resources needed to achieve goals. Although the traditional structural, financial, and technological resources are necessary for success, they are no longer enough. Human capital (knowledge, skills, and abilities), social capital (relationships, networks, connections, social support), and, especially, positive psychological capital (hope, self-efficacy, optimism, and resiliency) are also required because they can provide invaluable human-oriented developmental opportunities that are inimitable by competitors and thus creating a sustainable competitive advantage (Luthans & Youssef, 2004). For this reason, resources to enhance human capital through general and organization-specific education, training, and skill development are required. Similarly, resources to increase social capital through interpersonal, inter-unit, and inter-organizational communication and team building will be useful. In Egypt's collectivistic culture, such initiatives are relevant and doable, even for small Egyptian start-ups or financially challenged local enterprises. The positive psychological capital development as proposed here for hope in organizational leaders is where the biggest potential impact for the future success of Egypt's organizations seems to be.

Planning

Another input into Egyptian organizational leaders' hope development is contingency planning. Identifying alternative courses of action is key for developing the pathways component of hope. Such proactive planning creates a sense of preparedness and readiness that can enhance the organizational leaders' hope in these difficult times in Egypt. A similar individual-level approach to the pathways development of hope is what Snyder (2000) refers to as "mental rehearsals", in which important future events are visualized, potential obstacles are predicted, and alternate pathways to overcome those obstacles are mentally pictured. Egyptian organizational leaders are likely to benefit from this type of mental exercise resulting in an

enhanced sense of preparedness to handle the many difficulties they are and will be facing.

CONCLUSION

Egyptian organizational leaders may not know that their hope is wanted, needed, or even welcomed as a valuable positive psychological capacity, which contributes to the survival and competitive future of their organizations. We have shown how such hope can be developed and used by today's Egyptian organizational leaders. These approaches can be combined with other effective leadership development efforts to enhance the effectiveness of Egyptian organizational leaders and also result in a positively oriented organizational environment that supports and nurtures this developmental process for their associates as well. Together, with these efforts, in such a nurturing context, Egyptian organizational leaders are likely to become not only more hopeful, but also more authentic, and more effective in developing their associates. Moreover, hope is likely to trickle down (i.e., a contagion effect) from hopeful leaders to their associates, even to those who have been disengaged for a long time (Avolio et al., 2004; Luthans & Avolio, 2003). This can create a culture of hope in Egyptian organizations and diffuse to the society as a whole. In such a culture, the Egyptians can begin to realize the importance of their hope, and as they develop into more hopeful individuals, they can spread hope among their associates, colleagues, managers, and even their families and friends. Furthermore, as hopeful leaders move up the organizational ladder, their circle of influence will expand, and so should their "circle of hope", the number of people they instill with hopefulness, particularly if hope becomes recognized as a salient criterion for rewards. Ideally, in the long run, the enhancement of Egyptian managers' state hope should result in a more stable, permanent increase in their dispositional level of hope as well, which is likely to further enhance their circle of hope to incorporate others not only in their work environment, but also among their families, friends, communities, and future employers.

After the 9/11 tragedy and subsequent escalated turmoil in the Middle East, many multinationals reduced their operations throughout the region. However, to a degree this situation has turned into an opportunity for Egypt because some of those multinationals in surrounding countries have transferred their operations to Egypt, the country that is generally perceived as the safest in the region, due to President Mubarak's favorable international

relations and emphasis on peace solutions. With recognition of the importance of hope, and that it can be developed in organizational leaders, this may be the time for Egyptian organizations to turn the devastating real and potential threats into opportunities in the Middle East.

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CONCLUSIONS

William H. Mobley and Elizabeth Weldon

Understanding global leadership is like connecting the dots of a leopard moving through the dense forest. (Morgan McCall)

We trust that the chapters in Volume 4 have helped to clarify and connect some of the dots on the moving leopard of global leadership. Rather than simply a summary of this volume, we will in this conclusions section seek to integrate some of the dots and insights from this volume, from earlier volumes of *Advances in Global Leadership*, and to similar ideas in the extant literature, we present in Fig. 1, a graphic representation of some of the constructs and processes involved in effective global leadership, in effective *influencing across national and cultural boundaries*. While this is not a “model” per se, in the sense of specifying specific hypotheses and relationships, or a complete taxonomy of variables and categories, we present this graphic as a way to visualize some of the key concepts and variables involved in understanding effective global leadership as presented in this and earlier volumes of this series and related literature. These key concepts and variables are: *universal leadership competencies; context-specific competencies; developmental experiences; personal attributes and family variables; and global mindset*.

COMPETENCES: UNIVERSAL AND CONTEXT-SPECIFIC

While the term “competency” is widely used, and widely criticized, we use it here, in agreement with [Spencer and Spencer \(1993\)](#) as an underlying

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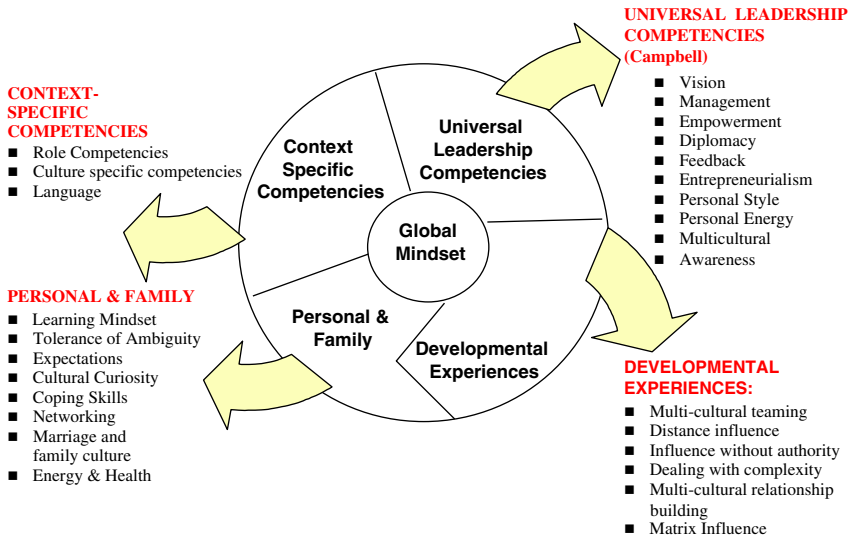


Fig. 1. Effective Global Leadership.

characteristic of an individual (motive, trait, self-concept, knowledge, skill) that is causally related to superior performance in a job or situation. As Fig. 1 shows, we believe there are both universal leadership competencies and context-specific competencies that contribute to effective global leadership. David Campbell’s chapter in this volume argues for nine universal competencies of global leadership, all nine needing to be present for an organization to be sustainable and an international leader to be effective. This fits with other experts who believe in universal competences. Morgan McCall and George Hollenbeck (2002) could not resist the urge to identify seven common competencies among the international executives in their research. For another example, Goldsmith, Greenberg, Robertson, and Hu-Chan (2003) concluded that there are 14 core competencies for future global leadership.

Dan Denison and colleagues, in their growing database on organizational cultures globally, find that the patterns and relationships among dimensions of the Denison organizational culture measure and organizational effectiveness appear to be similar across Western and other cultures (Denison, Haaland, & Goelzer, 2003, 2004), and indeed we are finding similar patterns in our organizational culture work in China (Mobley, Wang, & Fang, 2005).

But, as much as we like parsimony, it appears to us that the world is not so simple: *Context and culture do count*. Many studies of culture, both

societal and organizational, find different patterns of culture and relationships with preferred leadership, leadership style and various effectiveness criteria (see e.g. Bass, 2000; Dorfman, 2004; House et al., 2004; Hofstede, 1991; among others). As but one example, Kennedy, Fu, and Yukl (2003) found in their study of the effectiveness of influence tactics in 12 countries, the rankings of four influence tactics to be similar in a diverse range of cultures (rational persuasion, consultation, collaboration and appraising; and four influence tactics as relatively ineffective across 12 countries. But in a discriminant analysis of ratings of influence tactic effectiveness across countries, they found patterns of differences consistent with cultural values, particularly individualism and collectivism (2003, p. 142). IBM for example has developed a general leadership competency model that is complemented by role-specific competencies for 522 specific roles and contexts together with “on-demand” learning processes for each of these roles and expertise requirements (Davenport, Hoff, & Riley, 2005). McCall and Hollenbeck (2002, p. 34) contend “... no one agrees on a global competency set because there is no universal global job”. Successful global executives need not only numerous specific competencies dealing with the cultures, tasks and relationships of international work, but also need the underlying skills and abilities that allow them to acquire these competencies (2002, p. 103). Also see the Hanges et al. chapter in this volume.

How then do we reconcile those who continue to suggest universal competencies, principles and correlates of international leadership effectiveness with those who find many cultural and contextual contingencies? As mentioned in the introduction to this volume, a very useful framework for understanding these divergent views has been formulated by Dickson, Hanges, and Lord (2001). Some *leadership principles* are *universal*, but ... others are *variform*, i.e. the principles are common but are expressed differently in different cultures. Some *functional relationships* between leadership constructs and various criteria are *universal*, but others are *varifunctional*, i.e. the magnitude of the relationship varies across cultures (Dickson et al., 2001). Indeed, the House et al. (2004) GLOBE studies document a number of universals, variform universals, functional universals and varifunctional relationships.

DEVELOPMENTAL EXPERIENCES

Morgan McCall and George Hollenbeck in chapters in earlier volumes of the series and elsewhere are among the trumpets for *the primacy of*

experience in leadership development (see e.g. McCall, 1998; McCall & George Hollenbeck, 2002; Hollenbeck & McCall, 2003). Hollenbeck and McCall (2003) argue that executive and leadership development has failed to meet expectations because we fail to recognize that experience is the best teacher. They argue further that: “The competency model of the executive, proposing as it does a single set of competencies that account for success must be supplemented with *a development model based on leadership challenges ... a focus on what gets done* (2003, p. 101). In their 2002 study of international executives, McCall and Hollenbeck concluded that “experience is still the best teacher, but its outcome is less certain (in international roles) because of the interaction of assignment, the cultural context in which it occurs, and the background of the person in it” (2002, p. 14).

McCall and Hollenbeck identified 18 categories of experiences that act as teachers of essential lessons; 17 of which are similar to domestic experiences, but which take on added complexity by virtue of the 18th, culture shock (2002, pp. 110–111). Using experience to develop international executives requires considering simultaneously the person, the assignment, the context and the culture (McCall & Hollenbeck, 2002, p. 151). Fig. 1 above seeks to capture this line of thinking.

John Fulkerson argues that we must view competencies in the context of the systems and processes leading to actions and outcomes, i.e. how the *competencies a leader brings* to a situation interact with *what the leader faces* (e.g. competitive environment; management processes, organizational culture, societal cultures, etc.) ... only then it will be in a better position to understand the *mental and behavioral* actions taken by the leader in his/her effort to add value to the business (1999, pp. 29–30). This leads John to propose a “leadership operating system” that is more dynamic and integrative than a static competency model. It is of no surprise that one of John Fulkerson’s most important legacies at Pepsi International was emphasis on a development model that includes the development of a detailed and ongoing focus on a senior leadership critical experience inventory, clear links to strategic and operational plans and career development action plans that are 70% based on experiences; 20% mentoring and coaching and 10% formal training. For another case in point about experience-based development, we call your attention to Bartlett and McLean’s (2005) recent analysis of GE’s “talent machine” and the experience-based development of GE’s CEO, Jeff Immelt.

PERSONAL ATTRIBUTES

Learning agility, a focus of Mike Lombardo and colleagues (see e.g. Eichinger, R. W., Lombardo, M. M., & Raymond, C. C., 2004), among others, is a critical assessment variable in international leader effectiveness.

Finally, there are other personal and family issues that bear on a leader's effectiveness in international settings. Many of these variables are well documented in the psychological and expatriate literatures (see e.g. McCall & Hollenbeck, 2002; Riley, Yester, & Elkin, 2000).

GLOBAL MINDSET

These all come together to facilitate the development of, and the maintenance of a global mindset. Global leadership is, as Bartlett and Ghoshal suggest, about a transformation to "a global mindset" (see e.g. Bartlett & Ghoshal, 1992; the chapters by Pucik, Black and Ang and Van Dyne chapters in this volume). This global mindset is a deep transformation that, as Tim Hall and colleagues noted, goes far beyond a change in a skill set, it is a change that involves change in personal identity, developing new perspectives and in developing skills in the taking of on new perspectives and developing and holding multiple perspectives in the face of the complexity of functioning internationally (Hall, Zhu, & Yan, 2001).

This transformation to a global mindset is based on learning agility and *experience*, also key variables in our Fig. 1. It is about not just the competencies an executive brings, it is what they experience, learn and do in the situations they encounter that we must better understand (see e.g. Fulkerson, 1999; McCall, 1998; McCall & Hollenbeck, 2002; Tichy, 2002). The transformation to a *global mindset* comes not from home country leadership challenges but from experiences in other cultures (2002, p. 105).

Effective leaders in international contexts, bring a set of experiences, certain universal leadership competencies, role, context and culture-specific competencies, a global mindset and learning agility and various personal and family characteristics to their role. The degree of effectiveness is a function of how all five of these interrelated sets of variables fit with the role, context and culture of the leadership role and how well the leader continues to learn and adapt to the extant and evolving context. We will have more to say on Fig. 1 in other forums. For now, we thrust that this volume has

clarified and connected some dots, and focused on additional dots and potential connections. The journey continues.

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