Culture, Leadership, and Organizations

The GLOBE Study of 62 Societies

Edited By
Robert J. House
Paul J. Hanges
Mansour Javidan
Peter W. Dorfman
Vipin Gupta

SAGE

PART I

INTRODUCTION

ROBERT J. HOUSE

At the present time there is a greater need for effective international and cross-cultural communication, collaboration, and cooperation, not only for the effective practice of management but also for the betterment of the human condition. Ample evidence shows that cultures of the world are getting more and more interconnected and that the business world is becoming increasingly global. As economic borders come down, cultural barriers will most likely go up and present new challenges and opportunities in business. When cultures come into contact, they may converge on some aspects, but their idiosyncrasies will likely amplify. The information resulting from the GLOBE research program can be used as a guide when individuals from different cultures interact with each other. Although this book is primarily addressed to academicians, it contains a wealth of information relevant to the practices of leadership and organizations.

The first three chapters will be of interest to individuals engaged in cross-border interactions, be they buyers, sellers, or intermediaries. In Part I, contributing authors point out that what is expected of leaders, what leaders may and may not do, and the status and influence bestowed on leaders vary considerably as a result of cultural forces in the societies in which the leaders function. Readers in many Western nations might be surprised to learn that the extremely positive connotation associated with the word "leadership" is not universal, and some societies have a very skeptical view of leaders and leadership. Yet, the extent to which the meaning and enactment of leadership is culturally contingent is still relatively unknown. Although cultural differences figure predominantly in cross-cultural literature, some common management and leadership practices are also likely, given the current trend toward globalization of economies and an ever increasing number of multinational firms.

Chapter 1 presents an introduction to Project GLOBE. In Chapter 1, we illustrate the evidence relevant to the globalization of business during the past two decades and the consequent increased need for cross-cultural acumen of individuals who engage in cross-border interactions. We illustrate the importance of cross-cultural understanding on the part of people who engage in cross-border interactions with a hypothetical example of two firms considering merging. In this example, we illustrate variation in one dimension of cultures, namely the tendency to avoid uncertainty. We also illustrate variation in conceptions of leadership across cultures.

Chapter 2 presents a summary of selected major findings resulting from Project GLOBE and starts with a basic discussion of the construct of leadership. You might find it as intriguing as we did to discover the wide divergence of beliefs in the world about what constitutes effective leadership. Chapter 2 also presents a listing of the cultural attributes and a description of the leadership attributes studied. When these attributes are scaled into groups of related attributes, they are referred to as leadership *dimensions*. We will use this terminology throughout this book. Throughout the book, we present discussions of managerial implications of the GLOBE findings.

Chapter 3 presents a *nontechnical summary* of the major findings of the GLOBE research program. This chapter provides a concise summary of the findings from the GLOBE project. Only general information is provided here and care has been taken that the discussion not be too repetitive with discussions in upcoming chapters. The brief summary given in the chapter is intended to be selective, not comprehensive, with the information provided.

As discussed throughout this volume, a wealth of research examines the interrelationships among various conceptions of societal culture and industry and various forms of leadership, organizational behavior, structure, and culture. The fact that different industries impose different demands on organizations is obvious and well supported in the organizational strategy iterature. Clearly, we are much further along in our understanding of the cultural influence on these processes than we were 40 years ago. Yet much remains to be learned. This book is intended to increase our understanding of the effects of societal culture on leadership, organizational cultures, economic competitiveness of nations, and the human condition. Part I starts us on this fascinating journey.

1

ILLUSTRATIVE EXAMPLES OF GLOBE FINDINGS

ROBERT J. HOUSE

The 21st century may very well become known as the century of the "global world" (McFarland, Senen, & Childress, 1993). This prophetic statement appears to be well supported by recent evidence and experience. We present a review of this evidence later in this chapter.

In this book, we report the results of a 10-year research program, the Global Leadership and Organizational Behavior Effectiveness Research Program (GLOBE). The major purpose of Project GLOBE is to increase available knowledge that is relevant to cross-cultural interactions. The results are presented in the form of quantitative data based on responses of about 17,000 managers from 951 organizations functioning in 62 societies throughout the world. The questionnaire reports of managers were complemented by interview findings, focus group discussions, and formal content analyses of printed media.

The information presented in this book describes how each of 62 societies scores on nine major attributes of cultures and six major global leader behaviors. When quantified in the form of responses to questionnaires, these cultural attributes and leader behaviors are referred to as dimensions of culture or leadership. As we shall show, we found that there is wide variation in the values and practices relevant to the nine core dimensions of cultures and wide variation in perceptions of effective and ineffective leader behaviors. We shall also show that there are a select set of cultural dimensions that are strongly associated with country competitiveness, country prosperity, individual prosperity (gross national product per capita) and the physical and psychological well-being of members of the societies we studied. This variation is associated with variation in the nine major attributes of the cultures we studied.

More specifically, we report empirical findings concerning the rankings of 62 societies (with at least three societies from each major geographical region of the world) with respect to nine attributes of their cultures. We also report the effects of these attributes on what is expected of leaders, and the effects of these attributes on organizational practices in each of the societies studied. The nine attributes are Future Orientation, Gender Egalitarianism, Assertiveness, Humane Orientation, In-Group Collectivism, Institutional Collectivism, Performance Orientation, Power Concentration versus Decentralization (frequently referred to as Power Distance in the cross-cultural literature), and Uncertainty Avoidance. When quantified these attributes are referred to as cultural dimensions. The rationale for the selection of these cultural dimensions, and their definitions are provided in the following chapter.

In this chapter we review the evidence relevant to the globalization of business during the past two decades and the consequent increased need for cross-cultural acumen of leaders and those who engage in cross-border interactions. We illustrate the importance of cross-cultural understanding on the part of people who engage in cross-border interactions with a hypothetical example of two firms considering merging. In this example we illustrate variation in one dimension of cultures, namely the tendency to avoid uncertainty. We also illustrate variation in conceptions of leadership across cultures.

Increased Globalization of Business

At the present time there is a greater need for effective international and cross-cultural communication, collaboration, and cooperation, not only for the effective practice of management but also for the betterment of the human condition. Ample evidence, reviewed below, shows that cultures of the world are getting more and more interconnected and that the business world is becoming increasingly global.

Consider the following facts. As of 1988, more than 70% of American industry was facing stiff foreign competition *within* the U.S. market (Choate & Linger, 1988). Very likely this percentage is higher at this time. During the year 2001, worldwide exports of merchandise were almost $6 trillion U.S. dollars. Despite a decline of 10% in 2001, Asian countries (Japan excluded) had an average annual growth rate of 11% for the last decade, leading the world in the expansion of international trade (World Trade Organization, 2003).

There are other aspects to globalization besides foreign customers and competitors. Travel and tourism accounted for 383 million jobs in 2002, almost 50% more than in 1997 (Ehrlich, 2002, p. 232). The number of Internet users surpassed 665 million in 2002 up from 544 million in 2001 and the global number of Internet users will top 1 billion by 2005. The U.S. leads the world with more than 160 million users. Internet usage is growing rapidly in China, which is expected to surpass Japan by late 2003 (Computer Industry Almanac, 2003).

In the 1990s, international flows of investment have increased by more than threefold and investment in developing countries has grown sixfold. Further, in 2001 China replaced the U.S. as the leading recipient of foreign investment at an estimated value of $52 billion (U.S. dollars). The globalization of financial markets is a major driver of international trade and investment. In 1993 non-U.S. corporations raised $200 billion U.S. dollars by selling their shares on U.S. stock exchanges. In the year 2000 the amount increased to $1 trillion U.S. dollars (The Bank of New York, 2002, 2003). During the past decade, the world experienced an unprecedented volume of cross-border mergers and acquisitions. In 2002 the largest individual cross-border merger and acquisition transaction was Hong Kong-based China Mobile's payment of $10.2 billion U.S. dollars for Anhui Mobile Communications in mainland China (Organisation for Economic Co-operation and Development, 2003).

Clearly we are living in an increasingly interconnected and complex world. A significant consequence of globalization is the reduced dominance of American corporations in the world markets. In 1963, 67 of the world's largest industrial corporations were U.S. based. In 2001, 38 American companies were on the top 100 list. In contrast, the European continent had 42 and Japan had 11 of the world's largest corporations. The United States is influential, but it is no longer the most dominant force in international business ("The World's 500 Largest Industrial Corporations," 2002).

The implication for corporations involved in international trade and cross-border mergers and acquisitions is that they are facing increasingly global employees, customers, suppliers, competitors, and creditors, best described by the following passage:

> So I was visiting a businessman in downtown Jakarta the other day and I asked for directions to my next appointment. His exact instructions were: "Go to the building with the Armani Emporium upstairs—you know, just above the Hard Rock café—and then turn right at McDonald's." I just looked at him and laughed, "Where am I?" (Friedman, 1997, p. A15)

The Increased Importance of Sensitivity to Cultural Differences

The increasing connection among countries, and the globalization of corporations, does not mean that cultural differences are disappearing or diminishing. On the contrary, as economic borders come down, cultural barriers could go up, thus presenting new challenges and opportunities in business. When cultures come into contact, they may converge on some aspects, but their idiosyncrasies will likely amplify. McDonald's serves wine and salads with its burgers in France. In India, where beef products are taboo, it created a mutton burger: The Maharajah Mac. Middle Easterners prefer toothpaste that tastes spicy. The Japanese like herbs in their medicines.

Globalization opens many opportunities for business but it also creates major challenges. One of the most important challenges is acknowledging and appreciating cultural values, practices, and subtleties in different parts of the world. All experts in international business agree that to succeed in global business, managers need the flexibility to respond positively and effectively to practices and values that may be drastically different from what they are accustomed to. This requires the ability to be open to others' ideas and opinions. Being global is not just about where you do business. It is also about how you do it. As Percy Barnevick, the CEO of the Swedish firm ABB put it,

> Global managers have exceptionally open minds. They respect how different countries do things, and they have the imagination to appreciate why they do them that way. . . . Global managers are made, not born. (Ehrlich, 2002, p. 234)

But this is easier said than done. Managers who work in the international arena are steeped in their own culture. They have lived many years of their lives in their own countries, have been educated there, and have spent years working there. It is not easy for one to understand and accept practices and values that vary from one's own personal experiences. As an experienced executive search expert pointed out,

> Global business makes sense, but it is much more difficult to do it than talk about it. The American manager prides himself or herself on directness, frankness, being in-your-face, being accountable. But that's almost unique in the world. (Ehrlich, 2002, p. 235)

In fact, as the research reported in this book demonstrates, directness, frankness, and "being in-your-face" are offensive behaviors in many parts of the world including Asia, Latin America, and the Nordic European countries.

Alfred Zeien, the now retired CEO of Gillette, stated that globally literate leaders were his company's scarcest resource (Ehrlich, 2002). He is not alone. In a survey of Fortune 500 firms, having competent global leaders was rated as the most important factor for business success. In the same survey, 85% of executives stated that they do not think they have an adequate number of global leaders and more than 65% believe that their existing leaders need additional skills and knowledge before they can meet or exceed the challenge of global leadership (Gregersen, Morrison, & Black, 1998).

Differing Views and Conceptualizations of Leadership

Leadership is culturally contingent. That is, views of the importance and value of leadership vary across cultures. The GLOBE research program, as well as a substantial amount of other empirical research (House, Wright, & Aditya, 1997), has shown that the status and influence of leaders vary considerably as a result of the cultural forces in the countries or regions in which the leaders function. For instance, Americans, Arabs, Asians, English, Eastern Europeans, French, Germans, Latin Americans, and Russians tend to romanticize the concept of leadership and consider leadership in both political and organizational arenas to be important. In these cultures leaders are commemorated with statues, names of major avenues or boulevards, or names of buildings. Many people of German-speaking Switzerland, the Netherlands, and Scandinavia are skeptical about leaders and the concept of leadership for fear that they will accumulate and abuse power. In these countries it is difficult to find public commemoration of leaders.

An Illustration of Differences and Cultural Practices

Here we illustrate the importance of one of the cultural dimensions studied as part of the GLOBE research program. The dimension we highlight is the tendency to avoid uncertainty, however we note that the other eight dimensions have equally important implications.

Based on questionnaire responses from about 17,000 managers in 62 societies, our findings reveal that there is wide variation among societies on this dimension, ranging from 2.88 to 5.37 on a seven-point scale. Examples of societies that are very high on the tendency to avoid uncertainty are China, Singapore, and German-speaking and Scandinavian countries. Examples of societies that are very low on this tendency are the Latin American countries, and the Eastern European countries.

Now consider how individuals in high and low uncertainty avoidance cultures tend to behave. Most individuals in high uncertainty avoidance cultures have a strong tendency toward formalizing their interactions with others, documenting agreements in legal contracts, being orderly, keeping meticulous records, documenting conclusions drawn in meetings, formalizing policies and procedures, establishing and following rules, verifying verbal communications in writing, and taking moderate calculated risks.

In contrast, most individuals in low uncertainty avoidance cultures tend to exhibit the following traits and practices: they are more informal; rely on the word of others they trust rather than contractual arrangements; are less concerned with orderliness and the maintenance of records; do not document the conclusions drawn in meetings; rely on informal interactions and informal norms rather than formalized policies, procedures, and rules; and tend to be less calculating when taking risks.

If individuals from high and low uncertainty avoidance cultures are aware of their differences with respect to this cultural dimension, they will more likely know what to expect from each other, and possibly be able to negotiate mutually agreeable approaches to conflict resolution, problem solving, decision making, and management practices.

Consider for example two organizations that are considering merging. One of the major findings of the GLOBE research program is that operational and managerial practices tend to reflect the societal orientation in which they function. The organizations in high or low uncertainty avoidance cultures tend to reflect their respective societal orientation toward uncertainty. If one of the potential merging organizations is from a high uncertainty avoidance societal culture and the other from a societal culture that is low on uncertainty avoidance orientation, there are likely to be substantial differences in the way they function. If the decision makers in both of the firms know, in advance, the other organization's proclivity to be high or low on uncertainty avoidance, they can take actions to assess the potential problems that will be incurred after the merger, and on this basis they can determine whether the risk of the merger is too high. In such a merger, it is reasonably predictable that there will be large differences in formalization of roles in the form of job descriptions, accounting practices in terms of frequency of reporting, formalization, and specificity of accounting information.

There are also likely to be substantial differences in decision-making practices. In organizations that function in high uncertainty avoidance cultures the decision making is likely to be more formalized and analytical. In organizations that function in low uncertainty avoidance cultures, decision making is likely to be based more on intuition than formal analysis. There is likely to be disagreement among decision makers concerning the degree of documentation of decisions, specificity of reports, and record keeping. In each firm, it would be possible to establish task forces to investigate not only the differences in managerial and operational practices, but also the possible consequences of such differences. On this basis, decision makers would be better informed about what to expect following the completion of the merger. Problem-solving task forces could be established to resolve differences and work out mutually agreeable practices. Thus knowledge of the uncertainty avoidance orientation of each firm would be very useful for both premerger assessment of possible problems and postmerger problem solving and conflict resolution.

Differences in Leadership Practices

The nine cultural dimensions studied in project GLOBE also have implications for leadership. Most interesting, in all cultures leader team orientation and the communication of vision, values, and confidence in followers are reported to be highly effective leader behaviors. There is some variation concerning Participative leadership ranging from 4.50 to 6.09 on a seven-point scale. There is also wide variation with respect to two major dimensions of leader behavior identified in the GLOBE program: Autonomous leadership and Self-Protective leadership. Autonomous leadership is characterized by a high degree of independence from superiors and a high degree of social distance from subordinates, a tendency to be aloof, and to work alone. Autonomous leadership is reported to slightly contribute toward organizational effectiveness in countries of Eastern Europe (except Hungary) and Germanic Europe (except the Netherlands), with countries' ratings ranging up to 4.63 on a seven-point scale measuring the effectiveness of this leader dimension. In contrast, Autonomous leadership is reported to be ineffective in Latin America (except Argentina), Middle Eastern (except Egypt), and Anglo countries, with average country scores ranging as low as 2.27 on this leadership dimension.

Self-Protective leadership is characterized by self-centeredness, elitism, status consciousness, narcissism, and a tendency to induce conflict with others. Leaders who engage in self-protective behavior were reported by managers in Albania, Taiwan, Egypt, Iran and Kuwait being slightly effective with average country ratings ranging up to 4.62 on a seven-point scale. In contrast, self-protective behavior was reported by managers to be an impediment to highly effective leadership in all other nations, especially France and Northern European countries, with scores as low as 2.55.

Knowing what is considered to be effective or ineffective in the cultures with which one interacts is likely to facilitate conflict resolution and improve the performance of interacting individuals. Individuals from different cultures often interact with each other as negotiators, managers, members of joint ventures, or expatriates working in foreign cultures. Again, we believe that knowledge of each group's culturally endorsed leader behaviors would be beneficial to all individuals involved in substantial intercultural interactions.

Plan of This Book

The book is structured in five sections. In Part I, we discuss the history of the GLOBE project and what it tries to accomplish. We also discuss the various conceptual models that led us to our hypotheses. In addition, we provide a nontechnical summary of the findings to inform the reader of what is to come in the proceeding chapters. In Part II, we review the prior literature on culture and organizational leadership as well as societal influence on organizational culture practices. We also consider contingencies such as the industrial sector of the organization, as a potential facilitator or inhibitor of the impact of societal culture on organizational culture. In Part III, the research methodology of the project is described. The research design used to collect the questionnaire data as well as the development and validation of the constructs measured in the questionnaires are discussed in this section. Additional archival data sets that we used in this project are examined. Lastly, in this section we discuss the statistical methodology used to analyze the data and explain the rationale. In Part IV, we discuss the empirical findings and we discuss how societal culture influences organizational culture, as well as how these two factors influence culturally endorsed implicit theories of leadership. Finally, in Part V, we discuss the implications for our work, both research implications and practical implications, of the GLOBE project.

References

Choate, P., & Linger, J. (1988). Tailored trade: Dealing with the world as it is. *Harvard Business Review, 66*(1) 87–88.

Computer Industry Almanac. (2003). Retrieved June 25, 2003 from http://www.c-i-a.com/pr1202.htm

Ehrlich, H. J. (2002). The Wiley book of business quotations. New York: John Wiley.

Friedman, T. (1997, July 14). Jobs or trees? *The New York Times,* p. A15.

Gregersen, H. B., Morrison, A. J., & Black, J. S. (1998). Developing leaders for the global frontier. *Sloan Management Review, 40*(1) 21–32.

House, R. J., Wright, N., & Aditya, R. N. (1997). Cross cultural research on organizational leadership: A critical analysis and a proposed theory. In P. C. Earley & M. Erez (Eds.), *New perspectives on international industrial/organizational psychology* (pp. 535–625). San Francisco, CA: New Lexington Press.

Organisation for Economic Co-operation and Development. (2003). *Trends and recent developments in foreign direct investment.* Retrieved June 25, 2003 from http://www.oecd.org/pdf/M00042000/M00042212.pdf

The Bank of New York. (2002). *Depositary receipts (ADRs and GDRs): 2001 year-end market review.* New York: The Bank of New York.

The Bank of New York. (2003, January). *The ADR investor.* New York: The Bank of New York.

The world's 500 largest industrial corporations. (2002, July 22). *Fortune.*

McFarland, L. J., Senen, S., & Childress, J. R. (1993). *Twenty-first-century leadership.* New York: Leadership Press.

World Trade Organization. (2003, June). WTO *World tourism barometer, 1*(1), 1–14.